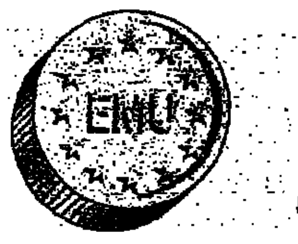
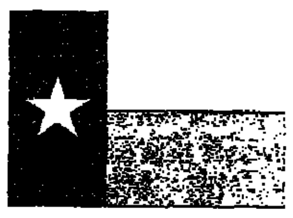
FINANCIAL TIMES

World Business Newspaper | TUESDAY JANUARY 17 1995 | D8523A



The road to Emu
Biggest obstacles still to come
Page 13



Texas trials
Welfare goes electronic
Page 9

Delicate issue
Asia's crippling debt burden
Page 7

GM

Slow recovery
GM struggles to catch up
Page 15

Last-ditch bid to end row at Saatchi advertising group

A last-ditch attempt to arrange a peace deal between Maurice Saatchi and Saatchi & Saatchi, the advertising group which ousted him as its chairman just before Christmas, was made by Mr Saatchi's brother, Charles (left), who proposed that the company should take Maurice Saatchi back on to its board. "The idea is that the clock should be turned back" said a friend of the Saatchi brothers. Since Maurice Saatchi was ousted, several Saatchi & Saatchi clients have said they are reviewing whether to remove their business from the company and a series of Saatchi executives have resigned. Page 15

Russian PM urges end to war: The power struggle in the Kremlin between hardline security forces and a more moderate faction heated up as prime minister Victor Chernomyrdin, leader of the moderates, called for an end to the war in Chechnya. Page 3

France urges early move to Emu: France set out an ambitious programme for its six-month presidency of the EU aimed at keeping alive hopes for an early move to a single European currency in 1997. Page 2; Emu strain begins to show, Page 13

Polish economy resilient: The Polish economy has shown "surprising resilience" to structural reform and the loss of Comecon markets, the Organisation for Economic Co-operation and Development says. Page 2; Editorial Comment, Page 13

Delhi opens tenders for telecoms: India's Department of Telecommunications began distributing tender documents to private bidders for the country's newly privatised basic and cellular telephone services. Page 14

Border charges could hit low-cost mail: Companies that channel their international post through low-cost mailing centres such as the Netherlands could face higher rates from a move to increase cross-border charges among the industrialised countries' post offices. Page 14

Goodyear to raise prices: US tyremaker Goodyear announced price increases in the US of between 3 and 5 per cent. The move was prompted by higher costs is not expected to lift the company's profit margins. Page 17

Tomkins profits 22% ahead: Tomkins, the industrial conglomerate that acquired food group Ranks Hovis McDougall in 1992, reported a 22.1 per cent rise in interim pre-tax profits to £114.5m ($178.6m), helped by continued improvement from its foods businesses and the stronger dollar. Page 15; Lex, Page 14

US to press Pyongyang on reactors: The US is expected to press North Korea to accept nuclear reactors from the South if it dismantles its current nuclear programme. Page 7

ING seeks to open branch in North Korea: Dutch financial services company Internationale Nederlanden Groep is hoping to become the first foreign bank to open in North Korea. Page 15

Rémy Cointreau bucks profits trend: Rémy Cointreau, the cognac, liqueur and champagne maker, bucked the flat trend of the international drinks sector with a moderate increase in half-year sales and operating profits, thanks to strong growth in emerging markets. Page 15; Lex, Page 14

S.G. Warburg liquidates Eurobonds: UK investment bank S.G. Warburg liquidated most of its portfolio of Eurobonds following its decision to pull out of the market. Page 18

Row over transfer pricing tax: The US is in dispute with France and Germany over new guidelines on transfer pricing, the methods by which multinationals determine how much of their profits and tax should be allocated to each country in which they do business. Page 6

Pressure for Lloyd's settlement grows: Pressure for an overall out-of-court settlement to the legal actions brought against the Lloyd's of London insurance market by loss-making Names was stepped up after a High Court judge ruled that compensation won in court should be paid on a "first come, first served" basis. Page 8

British airports break records: Passenger numbers at seven airports owned by BAA, the airports' operator, grew to a record 86.8m last year, an increase of 7.4 per cent on 1993. More than 51m people passed through Heathrow in 1994. Page 8

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	3,926.86	(+18.50)
NASDAQ Composite	768.25	(+6.09)
Europe and Far East		
CAC40	1,872.81	(+18.83)
DAX	2,085.64	(+30.02)
FT-SE 100	3,076.7	(+28.4)
Nikkei	closed	

■ US RATES

Federal Funds	closed	(5⅞%)
3-mth Treas Bills: Yld	closed	(5.685%)
Long Bond	closed	(95⅝)
Yield	closed	(7.786%)

■ OTHER RATES

UK: 3-mo Interbank	6½%	(6⁷⁄₁₆%)
UK: 10 yr Gilt	87⅞	(Same)
France: 10 yr OAT	95.32	(95.24)
Germany: 10 yr Bund	98.91	(99.02)
Japan: 10 yr JGB	96.596	(96.625)

■ NORTH SEA OIL

(Argus) Brent 15-day		
(Mar)	$16.36	(16.16)

■ GOLD

New York:		
Comex		
(Feb)	378.3	(379.3)
London:		
close	$377.6	(379.2)

■ DOLLAR

New York:		
lunchtime		
DM	1.53025	
FFr	5.293	
SFr	1.284	
Y	98.425	
London:		
DM	1.5282	(1.5327)
FFr	5.2848	(5.2985)
SFr	1.2831	(1.2872)
Y	98.125	(98.525)
Tokyo: closed		

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es230	Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

EU finance ministers support peseta while observers remain cynical

World markets recover poise

By Our Financial Staff

European equities rallied and southern European currencies stabilised yesterday as the world's financial markets recovered some of their poise following last week's turmoil.

While Latin America's stock markets were mainly weak, most equity markets took their cue from Friday's near 50-point rise in the Dow Jones Industrial Average. In London, Paris and Frankfurt, shares were around 1-1.5 per cent ahead on the day, while in Milan, the Comit index rose 5.1 per cent – its biggest one-day rise for nine years – as investors celebrated the appointment of Mr Lamberto Dini as prime minister designate.

"The focus has shifted away from emerging markets and from government instability in southern Europe, towards the implications of the US retail sales figures, published on Friday," said Mr George Magnus, chief economist at S.G. Warburg. Some investors believe the weak sales statistics indicate that the US Federal Reserve will be less aggressive in raising interest rates.

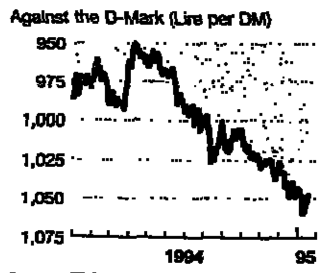
Rising interest rates in 1994 made American investors opt for the safety of US dollar deposits. This helped undermine confidence in emerging markets and contributed to the Mexican financial crisis.

Last week, speculative pressure hit the currencies of European countries with perceived political or budget deficit problems, notably Italy, Spain and Sweden.

But yesterday, European Union finance ministers meeting in Brussels rallied to support the peseta. Mr Edmond Alphandery, French economics minister, said the markets had quietened down and the European exchange rate

Italian Lira

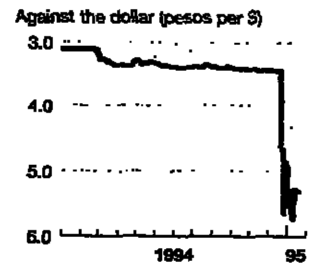
Against the D-Mark (Lire per DM)



Source: FT Graphite

Mexican peso

Against the dollar (pesos per $)



mechanism had shown itself to be robust.

Mr Pedro Solbes, Spanish finance minister, said the peseta crisis was over, while Mr Theo Waigel, German finance minister, said that on the basis of fundamentals, it could be argued the peseta was undervalued.

In spite of this official backing, many observers were cynical about the peseta's long-term prospects. "Nobody, save the politicians, believes in Spain's economic programme," said the chief economist at a leading Madrid banking group. The peseta strengthened only a little, closing at Pta87.03/DM from Pta87.15/DM on Friday.

However, the Italian lira responded more enthusiastically to Mr Dini's appointment, rallying to L1,048/DM from L1,057 after hitting a morning high of L1042.8. The pound was weaker against the D-Mark, falling to DM2.3988 from Friday's DM2.4056.

With the US financial markets subdued because of the Martin Luther King holiday, Latin American shares lost some of the gains made at the end of last week. By early afternoon New York time, both the Argentine and Brazilian markets were more than 2 per cent down. The Mexican IPC share index was up by around 0.6 per cent, even though the peso had slipped to 5.35 to the dollar.

Figures on US capacity utilisation are today expected to revive fears of further interest rate increases by the Fed.

Mexican markets wait, Page 6
Currencies, Page 22; Bonds, Page 23; World stock markets, Page 32

Financial Times expands global edition

With this issue, the Financial Times takes the first of a number of important steps forward.

From today, the edition sold outside the UK will be edited in ways to make it more useful to international readers. It will still be recognisably the same issue of the same paper as that published in Britain.

From next week, we add a print centre at Jönköping, Sweden, to the current five (London, Frankfurt, Roubaix in France, Bellmawr in New Jersey, and Tokyo). Over the next year, we expect to add more print centres in southern Europe, Hong Kong and California.

We are selling and planning advertising space on the basis of two editions to give advertisers more flexibility.

Sales of the FT's international edition have expanded strongly in the past decade. Our aim is to build on this success by developing a newspaper instantly familiar to any existing reader, but also directly relevant to our readers around the world. Adding new print sites will make it available in a more timely fashion.

Our international edition will still provide a comprehensive summary of the most important British news. But our coverage in this edition will give more emphasis to themes of interest to people outside the UK.

There is no direct impact on the UK edition. Our aim in this edition, as before, is to provide the most comprehensive coverage of all domestic and international news of relevance to UK readers.

The extra editorial resources devoted to the task of reporting and explaining the world will, however, offer immediate benefits to readers of both editions. From today, for example, both the UK and international editions contain a daily page of Asia-Pacific news.

Peter Martin has been appointed editor, international edition.

Richard Lambert
Editor

Brazil makes $1bn error in trade figures

By Angus Foster in São Paulo

Brazil's government has underestimated the country's trade deficit for December by up to $1bn because of a series of mishaps and errors.

The unexpectedly big deficit will renew concern about rising imports and the high level of the Real currency in the wake of the financial crisis in Mexico. It will also raise doubts about the quality of Brazil's official statistics.

The government this month published preliminary figures showing December's deficit at $47m. But this figure was based on an estimate for the month's imports, which was calculated before a sudden year-end surge in imports caused by renewed economic growth and government moves to open the economy.

The official December import figure, due to be released this week, is now expected to be much higher and government officials are privately expecting a deficit of $900m-$1bn. The finance ministry said the government wanted to announce the final figures earlier than planned to prevent further confusion.

Financial markets reacted with surprise and disbelief at the size of the error. The main stock market in São Paulo was down 1.1 per cent yesterday, although selling was also due to profit-taking after last week's rally.

Some analysts who had suspected that the $47m figure was too low said the new forecast was twice as high as their $500m projection, compiled from separate central bank figures. "Economics is easy in Brazil. The deficit is somewhere between $47m and $1.3bn," said one banker.

Although the government is likely to be embarrassed by the episode, it is more concerned that foreign investors will fear that Brazil is headed for a ballooning current account deficit, as in Mexico. The Real appreciated about 30 per cent against the dollar last year, leading to complaints from exporters.

However, the government, and many private sector economists, say the two countries are in very different positions. Even after the revised December deficit, Brazil is likely to see a trade surplus of about $10.5bn for last year. The increasing import bill appears due to companies importing capital goods for expansion as well as consumers importing cars and luxury goods.

The December confusion stems from the way Brazil collects and publishes its trade statistics. The industry ministry is responsible for collating export statistics, while the tax office, part of the finance ministry, records all imports. However, the industry ministry published its figures early, before the tax office had an opportunity to update its estimates.

French finance minister Edmond Alphandéry (left) with his German counterpart Theo Waigel ahead of the Ecofin meeting, a round table session on the French programme for its EU presidency. Mr Alphandéry told fellow finance ministers that France intended to remove all technical obstacles to monetary union News digest, Page 2; Emu strain shows, Page 13 Reuter

French tobacco group aims to cash in on image problem

By John Ridding in Paris

How do you persuade the public to buy shares in a company that makes products which cannot be advertised and which threaten the health of customers? That is the question confronting Seita, the French state-owned tobacco monopoly expected to lead this year's privatisation programme.

The difficulty of the task became apparent yesterday when the Paris prosecutor's office opened an inquiry into whether Seita's advertising has broken French law. Under the Loi Evin, which took effect in 1993, it is illegal to advertise tobacco products, except in trade journals.

According to Seita, the inquiry is a case of smoke without fire. "We were surprised by the news of the inquiry, but we are confident that our advertising campaign has not contravened any laws," said Mrs Isabelle Ockrent, director of communications.

She says the laws have presented difficulties. "It has been extremely complicated. It is not like Renault where you can just show the cars," she said, referring to the flotation of the state-owned motor group late last year.

Seita argues that is has found a solution to its dilemma by advertising itself rather than its products and spelling out the problems facing the tobacco industry. Under the slogan "what should hold us back is pushing us forward", the company has run advertisements which attempt to make a virtue out of the constraints facing tobacco vendors.

One example is an illustration of a flock of paper butterflies. It carries the message; "strong cigarettes are selling less and less". Seita says the aim is to inform people that the company is the market leader for light cigarettes in France, known as "blondes", and to dispel the impression that it only makes the potent Gitanes and Gauloises brands which cloud Parisian cafés.

Another advertisement carries a picture of an American Indian peace pipe alongside the phrase "smokers should not bother non-smokers". The argument here is Seita's claim to be one of the industry leaders in research into eliminating the unpleasantness of tobacco smoke.

Whether the Paris prosecutor approves remains to be seen. But industry observers play down the prospect of a serious hitch in the privatisation, expected to be launched in the next few weeks. "In the worst case it could bring a fine," says one Paris banker. "In the best it just brings some extra publicity."

Seita is similarly sanguine. "We don't see any problem arising from this," says Mrs Ockrent, adding that the FFr12.5m ($2.35m) advertising campaign, launched on December 12, is already in its final days.

CONTENTS

 No 32,576 Week No 3 LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

NEWS: EUROPE

Dini under pressure on cabinet posts

By Robert Graham in Rome

Agreement on a new Italian cabinet was being complicated yesterday by conflicting pressures from the main parties on Mr Lamberto Dini, the premier-designate.

The outgoing right-wing coalition headed by Mr Silvio Berlusconi was insisting that the new cabinet reflect a strong sense of continuity in order not to lose the influence accumulated by the previous nine months in office.

The opposition, backed by President Oscar Luigi Scalfaro, demanded in contrast that ministers be chosen for their technical competence and for their ability to attract a broad base of cross-party support.

Yesterday, Mr Berlusconi and his allies issued a statement declaring it was unacceptable for anyone to impose "a sort of veto" on those who had held a post in the outgoing government. The statement was aimed at President Scalfaro in particular who has made clear he will exercise a right to approve the names on Mr Dini's cabinet list.

In undertaking to see if he could form a government last Friday, Mr Dini said he would select a team of technocrats with no direct political affiliation. But this could prove difficult.

As a sign of Mr Berlusconi's involvement in the process of consultation, Mr Dini held two separate meetings with him yesterday. Later in the day Mr Berlusconi also met the leaders in his coalition.

One of the issues reportedly concerned whether Mr Gianni Letta, chief of staff in the prime minister's office and a former deputy chairman of Mr Berlusconi's Fininvest media empire, should remain. The populist Northern League, whose defection from the coalition last month was responsible for its downfall, claimed Mr Letta's continued presence was unacceptable.

The question of choosing ministers linked to the outgoing government was also raised in milder form by the opposition Popular party with its parliamentary spokesman, stating: "There must not be a significant number of ministers from the outgoing government. Instead, there should be an ample presence of technicians with whom the various political forces can identify."

This means that Mr Dini, the 63-year-old Treasury minister and former director-general of the Bank of Italy, could probably include someone like Mr Giulio Tremonti, the finance minister who, though elected to parliament and now identified with Mr Berlusconi's Forza Italia movement, is still essentially a tax expert.

> Outgoing coalition parties insist that the new premier's appointments should reflect continuity

Indeed, his presence is needed in the cabinet to push forward comprehensive proposals he has drawn up to overhaul Italy's disastrous tax structure. However, suggestions of Mr Tremonti's inclusion brought protests from the League, who claimed that if he was a "technician" some of their own politicians could fall within the same category.

The other problem which appeared unresolved yesterday was the degree to which Mr Dini would be able, or obliged, to carry out a sweeping change of junior ministers.

These jobs do not form part of the cabinet but have traditionally been key posts for political patronage and the main source of a party's power in a ministry. Since the Berlusconi government took office last May, Forza Italia and its allies have taken over the bulk of these junior ministerial jobs.

France draws up plan for early move to Emu

By Lionel Barber in Brussels

France yesterday set out an ambitious programme for its six-month presidency of the EU – aimed at keeping alive hopes for an early move to a single European currency in 1997.

Mr Edmond Alphandéry, French economics minister, told fellow EU finance ministers that France intended to remove all technical obstacles to monetary union, while promoting a policy of fiscal consolidation and price stability.

"We have to clear the ground so we can take proper measure of all the problems linked to the ultimate introduction of a single currency," he said in Brussels.

Mr Alphandéry's enthusiasm drew a gentle warning from Mr Theo Waigel, German finance minister. No one should be tempted to dilute the Maastricht treaty's "convergence criteria" which set down targets for reducing budgets deficits, government debt, and maintaining price stability before a move to European monetary union.

"The Federal government would oppose very strongly any moves to soften the stability criteria," he said. Mr Alphandéry later told a news conference that he was in "total agreement" with his German colleague.

Maastricht requires a majority of EU states – eight or more – to meet the convergence targets in order to proceed to Emu in 1997. Otherwise, all member states meeting the criteria can go ahead in 1999. Mr Henning Christophersen, outgoing economics commissioner, said the obstacles to 1997 were "not insurmountable" in the light of the burgeoning economic recovery in Europe.

Mr Kenneth Clarke, UK chancellor, said Europe had the best chance in years to tackle long-term unemployment, thanks to the recovery. But he remained sceptical about the possibility of a move to Emu in 1997.

Separately, Mr Alphandéry suggested bringing forward to June the date for a review of national budgets and the European Commission's report on "excessive deficits", in time for the EU summit in Cannes. This would pre-empt criticism from some parliaments, including the French national assembly, that they were not consulted last year.

The finance ministers' meeting included for the first time representatives from Austria, Finland and Sweden as fully-fledged members following their admission into the European Union on January 1, and Austria's entry shortly afterwards to join the European exchange rate mechanism.

Ministers played down the recent turbulence in the currency markets which triggered falls in the Italian lira, the Portuguese escudo and the Spanish peseta, focusing instead on the need to exploit the burgeoning economic recovery to reduce budget deficits and create jobs.

Mr Edmond Alphandery, said markets had quietened down and the European exchange rate mechanism had shown itself to be robust.

The currency upheaveal amounts to the first serious ructions since the August 1993 crisis which forced the EU governments to agree to widen fluctuation bands in the ERM to 15 per cent.

Ministers had taken note of the Spanish government's action to curb public spending to help to restore confidence. The conclusion was that the worst was over.

Emu strain begins to show, Page 13

Balladur ready to end his phoney war

> The French prime minister is exploiting the appearance of being the incumbent in the race for president, writes **David Buchan**

France's prime minister Edouard Balladur is expected this week to reveal the open secret that he is running for the Elysée.

But, true to the style that has made him favourite to become the fifth president of France's Fifth Republic in May, he will, at least for several more weeks, seek to give the impression of "business as usual" in government, and to conduct a low profile campaign that gives his opponents as slender a target as possible.

It is the classic strategy of an incumbent, which in a sense he has become. With the physical enfeeblement of the cancer-stricken President François Mitterrand, Mr Balladur has over the past 22 months increasingly operated as a sort of vice-president, acting on the agenda of his conservative coalition but avoiding open conflict with the Socialist head of state.

It is also the strategy of an innately cautious man who has no intention of jeopardising his commanding lead in the opinion polls with dangerous things like new initiatives.

Of the latter there is no risk for the next three months. France's parliament is now in recess, and Mr Balladur made clear last week that he was putting the onus for progress on the crucial issue of employment and welfare reform on to employers and unions.

The reality, of course, is that all Mr Balladur's attention and energies will be focused on his campaign. Its direction will be in the hands of "the two Nicolases" – Nicolas Bazire, his chief of staff who will be the main organiser and Nicolas Sarkozy, the combative budget minister who will become his campaign spokesman.

The Balladur campaign will be tailored to the candidate's strengths and weaknesses. Whatever slogan is chosen by the Balladur spin-doctors can be expected to vaunt the sort of unflappability with which the premier has handled the monetary and trade talks crises of 1993, record unemployment and the loss of three ministers to corruption scandals – a characteristic that a majority of French seem to appreciate.

Balladur aides recall how Mr Mitterrand successfully soothed the electorate in 1981 with the slogan *La Force Tranquille*, and again in 1988 with *La France Unie*, and are sure that one of the reasons why the prime minister's rival, fellow Gaullist Mr Jacques Chirac, is flagging in the polls is his repeated calls for a radical "rupture" in policy.

Television first became a feature of French presidential races in General de Gaulle's election in 1965, but is likely to figure larger in this election than ever before.

It suits the low-key style of Mr Balladur who, by contrast, has none of Mr Chirac's rhetorical ability to bring a big crowd to its feet.

There is however, another, organisational reason why the prime minister will be addressing few big set-piece rallies. Balladur aides reckon that, for all Mr Chirac's current problems, Mr Chirac may still be able, as creator and leader of the RPR Gaullist party, to turn out 5,000 party foot-stampers at rallies, while Mr Balladur will have to rely more on his support in the UDF centre-right party, which has a far weaker grassroots organisation.

Curiously, however, the Chirac campaign plans to make less use of rallies than when their man last ran for the presidency in 1988, and more of television, where Mr Chirac is, by his own admission, less at ease.

By virtue of being RPR leader for nearly 20 years, prime minister twice and MP for the south-central district of Corrèze as well as mayor of Paris, Mr Chirac has probably seen more of France and pressed more voters' hands than any living French politician; indeed that is why he feels so strongly he deserves to be president.

Because of – or in spite of – all this past travel, he feels that his only chance of closing the gap on the prime minister is through the airwaves.

Like all underdogs, Mr Chirac is pushing to debate the frontrunner on television. Balladur aides admit the prime minister may have to concede at least one televised debate before the first round of voting on April 23, though they say they would want to include the Socialist candidate as well as Mr Chirac.

The final emergence of a Socialist candidate at the party's planned congress on February 5 is one reason the campaign may heat up earlier than Mr Balladur would wish. Another reason is the bitterness already evident in the Balladur-Chirac civil war inside the RPR.

Mr Chirac complained last week that "one should never forget that someone who has betrayed once will do so again". Mr Chirac feels he has been poorly rewarded for making Mr Balladur finance minister in his 1986-88 government and for making way for him as prime minister two years ago. But Mr Chirac's complaint could equally apply to Mr Charles Pasqua, the interior minister and long-time Chirac ally who last week endorsed Mr Balladur.

One consequence of the RPR civil war is a likely tussle over party campaign funding.

The problem is slightly eased by the fact that, as part of new anti-corruption measures, the limits on spending have been lowered by 30 per cent, to FFr90m ($16.9m) per candidate for the campaign up to the first round of voting on April 23 and to FFr120m for the final run-off campaign.

In practice, Mr Balladur probably does not need any RPR cash, given a prime minister's natural access to the media and the planned low profile of his campaign.

But, politically, having some RPR money would confer some Gaullist legitimacy on him.

The Gaullist premier would find it embarrassing to depend exclusively on the coffers of the UDF and its Republican and Centrist components. That would fuel the Chirac camp charge that he is a turncoat.

Equities surge 'may not last'

By Andrew Hill in Milan

A surge of buying by small investors helped to drive up the price of Italian equities yesterday, while the lira strengthened following the appointment on Friday of Mr Lamberto Dini, the outgoing Treasury minister, to form a new government.

But stock market analysts were perplexed by the level of enthusiasm on Italian financial markets and warned that the euphoria could be shortlived.

"On paper this could be the government the country needs now – technocrats, with precise goals including financial and pension reform – but in practice I think the situation will still be quite volatile and remain fragile," said Mr Enrico Ponzone of investment house Kleinwort Benson.

Other analysts said Mr Dini had not yet formed his government and that he was encountering the first hurdles, with the outgoing coalition parties imposing conditions on his administration. The Comit index of equities rose 5.1 per cent, the biggest one-day increase since May 1986. The rise was led by large industrial stocks, such as Fiat, the automotive group, and Montedison, the energy, chemicals and agroindustrial company.

The currency strengthened to L1,043 against the D-Mark, according to the Bank of Italy's official quotation at midday yesterday, but by the evening it had fallen back, reflecting a more cautious attitude on the part of traders. The lira was trading at about L1,048 to the D-Mark towards the end of the day, compared with a low point last week of more than L1,060.

Analysts said equity trading had probably been affected by technical factors. Yesterday was the last day of trading in the monthly account, and investors might have been covering short positions taken in Italian stocks when the political outlook was at its gloomiest. "The market has been craving for good news," pointed out said one analyst.

Official statistics for the third quarter of 1994, released yesterday, showed that gross domestic product had grown by 2.2 per cent in the first nine months of the year, compared with the equivalent period of 1993. The figures provided further evidence that the underlying economy has continued to perform well, in spite of the political instability, helped by the weakness of the lira.

Most analysts are expecting Italian companies to demonstrate a strong recovery from recession when they produce their full-year results for 1994 over the next few months.

German union warns of wave of strikes

By Judy Dempsey in Berlin

IG Metall, Germany's powerful steel and engineering union, yesterday said employers should expect a wave of warning strikes at the end of the month if no agreement was reached on a wage settlement for Lower Saxony. The union is seeking a 6 per cent pay increase.

The threat was made after IG Metall resumed a second round of pay negotiations with employers from Lower Saxony, also a centre of the country's car industry. Volkswagen, for example, is based at Wolfsburg.

Any agreement forged for this part of the country will set a precedent for other regional negotiations for the industry. Hamburg will start holding talks on January 20.

The 6 per cent pay demand by IG Metall is in sharp contrast to last year's pay negotiations.

The union, which represents 3.6m members, agreed to a 36-hour week and a nominal 2 per cent wage increase, although both employers and unions agree it was lower because certain traditional perks, such as Christmas money, was reduced. But this year, Ms Dagmar Opoczynski, a spokesperson for the union, said IG Metall would seek a substantial pay rise.

"The employers insist that they want to keep costs down and continue to make savings. But wages should not be kept down as well," she said. "I expect these negotiations to be quite tough."

Gesamtmetall, the employers association for the steel and engineering industry, said IG Metall's demands were "utterly unrealistic". "Its early days yet in the negotiations," said Mr Dietrich Hochstetter, a spokesman for Gesamtmetall. "But 6 per cent is too high. We have to continue to make costs. We want a certain continuity in the wage agreement," he said.

IG Metall is pushing for 6 per cent, at least as an opening negotiating ploy, partly because it is under pressure from its members who this year face several new tax and insurance contributions. But union officials reckon they may be in a stronger position this year because Germany is not only out of the recession but expects a rise in west German gross domestic product of about 2.5 per cent for 1995.

Economic institutes fear a 6 per cent pay increase would fuel inflation, running at an annual rate of 2.5 per cent, and slow down industry's attempts at curbing very high labour costs.

● The German government and construction industry leaders met yesterday to discuss setting up a temporary law addressing the problem of cheap foreign labour on German building sites, employers' representatives said, Reuter reports from Bonn.

The Hauptverband der Deutschen Bauindustrie industry association said talks with labour minister Norbert Blüm focused on forming a five-year law for the building sector. Technical details still had to be worked out.

The labour ministry said Mr Blüm and industry representatives agreed a national approach was needed to beat the problem.

More talks are scheduled, chiefly to solve how to ensure equal wages were paid on building sites.

At the end of last year Mr Blüm failed to push through EU-wide legislation on a unified guideline for wages on European building sites.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Papandreou move deepens divide

By Kerin Hope in Athens

Greek prime minister Andreas Papandreou's weakening grip on power became evident yesterday as Greece's parliament erupted into insults and walkouts over his proposal to drop corruption charges against his conservative predecessor.

The call to suspend charges of accepting bribes and ordering illegal telephone taps brought against Mr Constantine Mitsotakis is another of the elderly prime minister's sudden reversals of policy which have infuriated younger members of his ruling Panhellenic Socialist Movement (Pasok).

But instead of restoring consensus before parliament chooses a new head of state in April, Mr Papandreou's move has deepened the divisions in Pasok and the opposition conservative New Democracy party.

Opening the one-day debate in parliament yesterday, Mr Papandreou described his move to drop the charges as "the courageous path" and a "historic responsibility".

"A politician must back the policy which he sees as correct and this is how I see my role," he said.

The aura of magnanimity which he tried to exude brought guffaws from many deputies.

Mr Papandreou wants to avoid fighting an early general election by finding a compromise presidential candidate who could attract the 10 extra votes Pasok needs to reach the three-fifths majority required. Mr Mitsotakis, now a conservative backbencher with a strong personal following, could provide them.

Mr Papandreou has already made clear he does not want to succeed President Constantine Karamanlis, an elderly conservative, in a mainly ceremonial job. Despite poor health, he appears determined to stay on as prime minister.

His proposal to drop the charges against Mr Mitsotakis triggered unprecedented criticism from socialist supporters. Last week this focused on an admission by him that he accepted Dr60m ($252,000) in interest-free loans from cabinet colleagues to help refurbish a luxury villa purchased in the name of his wife, Dimitra.

Mr Theodoros Pangalos, the outspoken former European affairs minister now positioning himself to bid for the Pasok leadership, said the prime minister was wrong "to accept presents ... from bad and stupid friends".

The stated aim of Mr Papandreou's move was to "reverse the impression that the country gets dragged from one witch hunt to another, according to which party holds power". He was referring to his own trial in 1992 on corruption charges brought by Mr Mitsotakis, which resulted in acquittal by a one-vote margin.

At the same time Mr Papandreou appeared to be making a gesture of reconciliation towards Mr Mitsotakis after a bitter personal feud lasting more than 30 years. The socialist leader often attacked his predecessor as a "traitor" for staging a cabinet rebellion in 1968 that brought down a centrist government headed by his father, Mr George Papandreou.

But Mr Mitsotakis is in no mood for reconciliation, saying he wants the trial to go ahead.

He is well aware that the special court lacks evidence to substantiate charges that he took a $22.5m bribe in the 1992 sale of Heracles General Cement, the state-owned cement maker, to Calcestruzzi of Italy for $425m.

Moreover, Mr Mitsotakis hopes to recover the New Democracy leadership, which he resigned after a humiliating election defeat by Pasok 16 months ago.

EUROPEAN NEWS DIGEST

Benetton court clash on adverts

Benetton today confronts a German retailer in court in a dispute over the Italian clothing company's controversial advertising campaign which stores claim has slashed their revenues. Benetton's advertising posters have included images such as the bloodied clothes of a dead Croatian soldier, a dying Aids victim and a baby attached to its umbilical cord.

A group of retailers in Germany, Benetton's most important foreign market, says customers have boycotted stores selling Benetton goods. They complain that turnover has fallen by up to 60 per cent in some stores, forcing over 100 shops to close since the end of 1993. Some stores have put up their own posters, telling customers that they are no longer selling Benetton clothes. Several have refused to pay for goods, claiming Benetton owes them damages for loss of turnover. A string of lawsuits kicks off today in Kassel, central Germany, where Mr Heinz Hartwich, a retailer, is being sued by Benetton for not paying his bills. Mr Hartwich hopes the court will rule in his favour and award him damages instead. *Reuter, Frankfurt*

Bosnian truce nears collapse

The truce in Bosnia was near collapse yesterday as Serb and government forces violated the agreement which was supposed to be in force until May 1. UN officials said Bosnian government forces had not withdrawn from a demilitarised zone south-west of Sarajevo in violation of the New Year's Day truce. A UN inspection team found 60 Bosnian soldiers on Mount Igman, despite government claims that their troops had withdrawn from the strategic heights. In exchange for the pullout, Serbs had pledged to open access routes to Sarajevo, but they have rebuffed UN efforts to persuade them to fulfil their pledge. The Sarajevo government say the routes should be open for commercial transport, while the Serbs want it open only for UN humanitarian shipments to the besieged capital. With the agreement blocked in Sarajevo, renewed clashes were reported round the north-western enclave of Bihac. UN officials charged that government forces had launched an assault from Bihac town, one of six UN "safe areas" in Bosnia. *Laura Silber, Belgrade*

Aker director quits over tax

Mr Tor Bergstrom, deputy managing director of Aker, the Norwegian cement, engineering and oil and gas technology group, yesterday resigned after being convicted by an Oslo court of intentional gross negligence over income tax returns. The court jailed Mr Bergstrom for 60 days, but Mr Bergstrom's counsel said he would appeal. Also convicted of illegal tax breaks were Mr Per Terje Vold, former president of Uni Storebrand, Norway's largest insurer, Mr Tom Roemer Svendsen and Mr Jon Friele Paashe. The trio were given a suspended sentence of 18 days imprisonment and ordered to pay fines ranging from NKr20,000 ($2,980) to NKr40,000.

The convictions stem from a limited partnership of around 150 investors which was established to acquire Airbus aircraft. Another investor, Mr Torstein Moland, governor of the Bank of Norway, is being investigated to determine if he had prior knowledge of a repurchase agreement which would have allegedly given him illegal tax breaks. If Mr Moland is ordered by the tax authorities to pay a tax penalty, opposition political parties have threatened to seek a confidence vote in the minority Labour government unless Mr Moland steps down. *Karen Fossli, Oslo*

Czech politician's spy claim

Mr Jan Kalvoda, a deputy prime minister and leader of the Civic Democratic Alliance (ODA), a junior coalition partner in the Czech government, was expected to give evidence to coalition party leaders yesterday backing his allegations that the secret service (BIS) is spying on his party in an attempt to tie it to a banking scandal. Mr Kalvoda said he had "strong circumstantial evidence" that the BIS was trying to link the ODA with the collapse last year of Kreditni a Prumyslova (Credit and Enterprise) bank. Another coalition partner, the Christian Democratic Union, supports Mr Kalvoda's allegations. The collapsed bank's former chairman, Mr Antonin Moravec, is in custody awaiting trial on fraud charges. ODA is reported to owe the bank Kcs52m ($1.9m). The head of the BIS, Mr Stanislav Devaty, is a former member of the Civic Democratic Party (ODS), the senior coalition partner led by prime minister Mr Vaclav Klaus. *Vincent Boland, Prague*

Strikes shut Seat plant

Seat, the Spanish subsidiary of the German carmaker Volkswagen, said it was forced to stop production at its Martorell plant near Barcelona yesterday because strikes had paralysed production of parts. The company said production should resume normally tomorrow but would be jeopardised again next week if a Saturday strike took place. Seat unions called the strike to protest at job cuts. Talks to try to stave off the strikes broke down on Friday. The carmaker said it had offered to take back 100 of the 1,266 workers affected by proposed layoffs. *Reuter, Barcelona*

Poland 'resilient' to reform

The Polish economy has shown "surprising resilience" to structural reform and the loss of Comecon markets. However rising consumption could inhibit Poland's ability to sustain growth or further reduce inflation, the Organisation for Economic Co-operation and Development (OECD) says in its second report on the post-communist Polish economy. The main burden of transition to a market economy has fallen hardest on the unemployed, while the main beneficiaries have been the self-employed, pensioners and workers who kept jobs in traditionally well paid sectors.

The private sector, which now accounts for over 60 per cent of GDP and 57 per cent of jobs, has been "the driving force" behind economic growth. Industrial labour productivity rose 13 per cent in 1992 and a further 9.6 per cent in 1993. Unemployment reached 16 per cent last year but the rate of job losses has slowed, the report says. The resumption of debt servicing means higher interest payments and budgetary outlays. Efforts to contain the budget deficit and curb inflation were also affected by pensions which rose 18 per cent more than average wages between 1989-93. *Anthony Robinson, London.* Editorial comment, Page 13.

ECONOMIC WATCH

German wholesale prices rise

West German wholesale prices showed a larger than expected increase last month of 3.2 per cent over December 1993, the federal statistics office said. This followed annual rises of 2.4 per cent in November and 2.7 per cent in October. The increase over November 1994 was 0.7 per cent. Mr Julian Jessop, economist at HSBC Markets, said a month-on-month rise of 0.2 per cent had been expected. The statistics office said the average rise in the wholesale price index last year was 1.6 per cent compared with the 1993 level. Mr Jessop said the indicator was erratic since it was not seasonally adjusted and was dominated by volatile commodities. *Andrew Fisher, Frankfurt*

■ Belgium's GDP grew 0.2 per cent in the third quarter after 0.5 per cent growth in the second quarter.

■ Finnish consumer prices rose 1.6 per cent year-on-year in December, but fell 0.1 per cent from November.

Outgoing farm commissioner fires parting shot at proposals

Steichen sees no need for CAP reform

By Caroline Southey in Brussels

A highly charged debate on the future of the Common Agricultural Policy erupted in Brussels yesterday after the outgoing EU farm commissioner denounced proposals for radical reform as politically unrealistic.

Mr Rene Steichen said it was possible for the Union to expand its membership to eastern and central Europe without reform of the CAP – directly challenging positions put forward in four academic reports released yesterday by the Commission.

The reports were ordered by Sir Leon Brittan, the EU's chief trade negotiator, from academics in Germany, Britain, France and Italy, and do not represent official policy.

Their chief argument is that CAP reform should go beyond changes pushed through in 1992 by Mr Ray MacSharry, then farm commissioner, if the EU intends to absorb Poland, the Czech Republic, Hungary, Slovakia, Bulgaria and Romania early in the next century.

Mr Steichen said there was "no sense in reactivating, under the pretext of enlargement, the debate about the reform of the CAP. The changes negotiated in 1992 are a success and there is no need to go back".

The row sparked by the reports highlights the difficulties the Commission will have in agreeing a paper on the implications of enlargement for the European summit in Cannes next June. Aides to Sir Leon said he had commissioned the studies as a calculated effort to influence this debate. An agriculture official in Brussels added the reports could also be seen as a "last hurrah" from Sir Leon, who cedes responsibility for eastern Europe when the new Commission under Mr Jacques Santer takes office next week.

The academics call for lower direct payments to farmers, the abolition or substantial reduction of support prices, and making national governments partially responsible for income support payments.

They also argue that extending the present CAP would cost too much and could lead to the EU failing to meet its commitments under the General Agreement on Tariffs and Trade, particularly in relation to subsidised exports.

Mr Steichen has only one week left before Mr Franz Fischler, a former Austrian farm minister, takes over in the new Commission. Mr Fischler said guardedly in confirmation hearings before the European parliament earlier this month that he envisaged "the CAP would continue even with enlargement to the east". Mr Steichen said the reports' arguments "might be attractive to academics, but my experience tells me they are not sensible or well-advised".

He rejected their calculations on the cost of enlargement which ranged from Ecu13.5bn ($16.74bn) to Ecu32bn ($39.7bn), as too high. The extension of the CAP, with a transition period of about 10 years and with price stabilisation policies in place prior to accession, could be financed from the existing EU budget.

"Once the MacSharry reforms are fully in place later this year, the EU's expenditure on agriculture will be controllable and fixed," he said. Enlargement could be financed from savings of Ecu4bn-Ecu5bn which he predicted would occur once the reforms were in place, and the EU began to meet the required reduction in subsidised exports dictated by the Gatt agreement.

Russian PM urges end to Chechen war

By Chrystia Freeland in Moscow

The power-struggle in the Kremlin between hardline security forces and a more moderate faction heated up yesterday as prime minister Viktor Chernomyrdin, leader of the moderates, called for an end to the war in Chechnya.

In a television interview, Mr Chernomyrdin, who has kept a low profile since the beginning of the unpopular Chechen conflict, called for an immediate ceasefire and peace talks in Chechnya. He said that the "fate of the Russian state and of Russian democracy" was at stake in the rebel region.

Mr Chernomyrdin's comments, which came as Chechen forces appeared to be resisting a renewed effort by Russia to completely subdue Grozny, the Chechen capital, represent an attempt by economic moderates to reassert their waning authority. But Mr Chernomyrdin's call for an end to "the bloodshed" coincided with a new offensive from the hawks in the Kremlin.

The hardline "power" ministries yesterday stepped up their campaign for increased political control, launching "criminal investigations" into the activities of senior officials in the central bank and the military.

The war in Chechnya has provoked a growing wave of western criticism and warnings from Russian officials that it could jeopardise the draft 1995 budget. The budget's approval by parliament is crucial if Russia is to receive aid from the IMF.

For hardliners in the Kremlin, the uninspiring performance of Russian forces in Chechnya is serving as one of the pretexts for their efforts to tighten their grip over all the organs of the Russian state.

Mr Aleksei Ilinshenko, the Russian attorney-general, said that criminal investigations against some of the senior officers commanding the ground operations in Chechnya have been launched. He named as one of the targets General Eduard Vorobiev, deputy commander of Russia's ground forces who refused to lead his troops in Chechnya and submitted his resignation in December.

Mr Iliushenko was reacting to widespread reports that Russian officers have acted in violation of orders from Moscow. He also said that upon their release, Russian prisoners of war would be questioned to determine whether they fell into Chechen hands "voluntarily or involuntarily".

Mr Chernomyrdin earlier spoke up for the armed forces, saying: "We must not direct thoughtless abuse against the army."

The growing reach of the security forces has not been restricted to the military. Mr Iliushenko also said that criminal investigations had been launched into the activities of senior officials in the central bank in connection with the crash of the rouble last autumn.

"The central bank had the authority to halt trading on Black Tuesday," Mr Iliushenko said, "but it did not and that is why an investigation has been launched."

Top guns swell the ranks of private forces

Russia's booming security business is creaming off the military's best men, writes **Chrystia Freeland**

The Russian military's performance in Chechnya, where a conflict the defence minister said would last two hours is now lurching into its second month, has been so awful as to prompt one senior official to accuse the army of deliberate sabotage.

Another explanation for the bungling might be that many of Russia's most seasoned military men are not busy besieging the presidential palace in Grozny. Instead, they are patrolling the streets of Moscow as members of the private security forces which nearly all Russian businessmen now employ or as part of President Boris Yeltsin's personal, elite guard.

As any Moscow hostess, who must cope with the delicate question of where to put the bodyguards during a dinner party (generally they are relegated to the cars with the chauffeurs) can attest, private security forces have become a fact of life in the new Russia.

But what one senior western diplomat describes as "the feudalisation" of Russia poses problems far knottier than etiquette.

After more than 70 years of rule by a nearly hegemonic party, the state's monopoly on the means of coercion has broken down. In its place, hundreds of what amount to small, private armies have sprung up, most of them staffed by men who were once the elite soldiers of the army and the KGB.

A Russian cadet soldier stands guard at the Moscow military high school. His classmates are patrolling the capital's streets. Classes at military academies have been stopped since Russia moved troops into Chechnya last month *Reuter*

"All the best officers have left the army and tried to find civilian jobs," says Mr Alexander Vyshenin, deputy director of "Alex", Russia's oldest security company. A former captain in a top airborne assault regiment, Mr Vyshenin is one example of this exodus. "In the old Soviet army discipline was like mother's milk for us," he explains. "But you cannot find that attitude in the military today. They wanted me to dig potatoes, which is certainly not my specialty, so I left."

The services of a company called Alex do not come cheap – guarding an office of half a dozen people costs about $15,000 a month – but private security has become a necessary part of doing business in a country in which the rule of law has all but collapsed.

"Organised crime is a huge problem in Russia, I think it's more powerful than the Colombian drug cartels," says Mr Sergei Fadeev, the director of Alex. "The directors of large companies and banks and government officials are regularly being killed on the streets of Moscow." To turn to the police "who only love money," is hopeless, he says, which is why businessmen hire companies like his.

A Russian entrepreneur, owner of a computer company, put the matter more succinctly. Asked how he enforced contracts in the prevailing climate of legislative chaos, he silently reached under his desk and drew up a machine gun.

The privatisation of force in Russia is ominous not only because of the rough character it has lent to the Russian business environment, but also because it has siphoned off some of the country's most professional soldiers. The security arm of the Most banking group, for example, which employs a force of more than a thousand men, is run by former senior KGB officers.

Not least among the figures who have annexed state troops to form their own private armies is President Yeltsin. Russian observers estimate that the Chief Security Directorate, run by one of Mr Yeltsin's closest confidants and charged with protecting "senior officials", numbers up to 25,000 men.

This force, of whom a reported 4,000 soldiers form the president's personal guard, includes several elite assault regiments which were detached from the defence ministry and the KGB. A Russian newspaper reported this week that the directorate had requested a budget of $150m for this year.

Even as those rag-tag troops which the Kremlin felt it could spare from Moscow to send to the war in Chechnya continue their assault on Grozny, there have been ominous hints that the private armies of Moscow might be gearing up for a conflict of their own.

"Armed bandit groups exist in all of the North Caucasus and in other regions, even in St Petersburg and Moscow," Mr Vladimir Shumeiko, a member of the president's inner circle, the Security Council, said this week. "Mr Gussinsky [head of the Most group] may take offence if he chooses, but the security forces of his Most group are armed with machine guns and anti-artillery rockets. We will disarm all of Russia."

Mr Gussinsky, and other leading members of Russia's nascent bourgeoisie, are unlikely to dismiss these threats lightly. In December, before the fighting in Grozny began, two of Moscow's private armies had a scuffle of their own: members of the presidential guard swooped on Most's headquarters and beat up members of its security forces.

NEWS: WORLD TRADE

China seeks to soothe US on copyright

By Tony Walker in Beijing

China will launch a crackdown on compact disc piracy, centre of an acrimonious trade dispute with the US, during the Lunar New Year *beginning January 31, Reuter reports from* Beijing. An announcement by Xinhua news agency said officials had confiscated more than 60,000 compact discs, closed more than 100 illegal plants and conducted training *programmes on copyright protection.*

Authorities in several provinces yesterday also announced they had seized pirate and pornographic books and videos. In a *three-month campaign, central Henan province* confiscated 287,000 illegal publications and 173,542 illegal tapes, including 3,407 compact discs and 915 electronic games, the Legal Daily said. They closed 397 illegal printing plants and tape factories and arrested 35 people.

China's President Jiang Zemin yesterday called on the US to *set aside petty disputes in the* interests of the broader relationship and world harmony. Mr Jiang did not make specific reference to US threats to impose trade sanctions over continuing Chinese property rights violations, but his remarks were clearly aimed at defusing the crisis.

"We should be far-sighted and view things from commanding heights to seek common interests so as to promote bilateral relations in the new world order," Mr Jiang told Dr Henry Kissinger, former US secretary of state.

US and Chinese negotiators are due to resume talks tomorrow on intellectual property rights, with the US insisting on concrete progress towards stamping out violations.

Washington has given Beijing until February 4 to demonstrate good faith in curbing rampant piracy of compact discs and computer software, or risk sanctions under section 301 of the Trade Act affecting some $1bn worth of exports to the US. China's exports to the US reached $28bn by the end of September, a rise of 22 per cent over the same period the year before. The US trade deficit stood at $21bn in the first nine months compared with $23bn for the whole of 1993. One-third of Chinese exports go to the American market.

Mr Jiang 's comments were *generally* conciliatory, indicating Beijing's desire to avoid a trade showdown over the intellectual property rights issue. "If relations between the two countries are not flexible, many important things cannot be done or have not been done well enough in the past, resulting in benefit to no-one," Mr Jiang said.

In Hong Kong, a senior US trade official was quoted as saying that a new proposal from China on intellectual property rights signalled progress on the issue. "That proposal marks a clear step forward and has narrowed the gap between the US and the Chinese positions," the official said. "While we have established commonality of interests on a number of key issues, we are still apart on the details."

"Whether we reach an agreement or not is up to China," the official added.

In Beijing, a US official said an end to the crisis would depend on specific Chinese action to curb piracy. Steps taken thus far were far from adequate.

WORLD TRADE NEWS DIGEST

GTE in China telecoms deal

GTE of the US expects to supply management and technical advice to China's newly established second telephone network through a joint venture with China United Telecommunications. The company, to be based in Beijing, will also conduct research and develop new technology for Unicom, set up last year to boost China's long-distance telephone capacity and to provide services in remote areas. The venture is also expected to help extend China's cellular phone network. Mr Harvey Greisman, a GTE vice-president, said the US company envisaged a "long-term strategic alliance" with Unicom. GTE has wide experience in operating overseas telecommunications systems in South and Central America, Mexico and Canada.

■ Ericsson in Hong Kong, a unit of Sweden's Ericsson, has signed a contract with Guangxi Posts and Telecommunications Bureau worth about SKr350m ($46.6m). The order is to upgrade the analog mobile telephone system and build the first digital GSM system in Guangxi. Deliveries will begin this year. Guangxi Posts and Telecommunications Bureau will expand its mobile telephone network to serve more than 150,000 subscribers, making it one of the biggest networks in China. *Tony Walker, Beijing*

Samsung to set up in N Korea

The Samsung Group of South Korea plans to build electronics plants in North Korea, Mr Kang Jin-Koo, the company's president, said yesterday after a six-day visit to North Korea. The plants are to be set up in the Rajin-Sonbong zone, he said as the area's investment environment seemed better than other east Asian countries. "The Pyongyang government seems to have decided to induce South Korean companies to develop its industrial zone," Mr Kang said. Local newspapers report that Samsung has agreed to set up a $500,000 home appliance parts *plant in Rajin-Sonbong. AFX, Seoul*

Ship orders for Kvaerner unit

Kvaerner, the Norwegian shipbuilding and engineering group, *yesterday announced that its Masa-Yards subsidiary in Fin*land had been awarded $780m in contracts to build three cruise ships. Kvaerner said US-based Carnival Cruise Lines (CCL) exercised an option from last December to build a seventh liner in the "Fantasy-class" series and at the same time ordered an eighth vessel. The value of each ship is $300m. Deutsche Seereederei Touristik (DST) also declared an option for Masa-Yards to build a second $180m luxury class cruise ship, but the contract depends on the German shipowner securing financing.

Last August DST ordered the first of two 38,000 gross tons luxury cruise liners from Masa-Yards. The liners have a capacity of 1,250 passengers. Masa-Yards has already delivered four Fantasy-class liners for CCL and is building the fifth and sixth vessels in the series. The two latest orders call for the ships to be delivered in 1998. The contracts secure work for about 4,000 people. *Karen Fossli, Oslo*

British trade team in Malaysia

A 35-member trade mission from Britain arrived yesterday in Malaysia seeking partners for joint ventures. The team, comprising representatives from Britain's offshore oil and gas and education sectors, is also seeking local and regional distributors for its products. Last September Malaysia ended a seven-month ban on public contracts for British businesses. It imposed the ban in protest against British press reports that trade between the two countries was tainted with corruption. *Reuter, Kuala Lumpur*

■ Croatia's partly privatised telecommunications company Nikola Tesla has won contracts for two deals in Russia worth a total of $21m. Tesla is Croatia's leading manufacturer of *telecommunications equipment. The company said it would* supply a $15m telephone exchange for Moscow and $6m-worth of equipment for another transit telephone exchange for St Petersburg. *Reuter, Zagreb*

■ Aérospatiale SNI of France has won a contract to supply a satellite to the Thai telecommunications company Shinawatra Satellite. *AFX, Paris*

■ Siemens of Germany has agreed to set up a joint venture in automotive technology with China's Changhun North Electronics Factory. Siemens said it would hold a 70 per cent stake in the venture, which is expected to have sales of DM65m ($42.4m) by the year 2000. *AFX, Munich*

US urges early start to talks on specific measures and a timetable for implementation

Washington to force Apec free trade pace

By William Dawkins in Tokyo

The US has proposed that the Asia-Pacific Economic Co-operation forum should start talks on specific free trade measures as early as next year.

In a letter to the Japanese government, which will host the Apec summit in Osaka in November, Washington also proposes that the bloc's 18 members open their own round of multilateral trade liberalisation talks – the Apec Round – on subjects not covered in the Uruguay Round of global talks.

Apec's Asian members are likely to view the US proposals with caution, anxious to avoid US domination of their lucrative and fast-growing markets.

Trade competition guidelines and common commercial laws for multinational companies are among the subjects the US is proposing for the Apec discussions. The US letter says the Osaka summit should adopt a free trade plan with a specific timetable for implementation.

Subjects for action, says Washington, include protection of intellectual property rights, *a treaty on investment, mutual* acceptance of industrial standards tests and the removal of barriers to telecommunications and shipping.

This is an attempt to put some detail into the Apec accord drawn up at its summit in Jakarta in November last year which agreed to remove trade and investment barriers by the year 2020. It is also a challenge to Japan's foreign *policy, where it is tentatively* seeking independence from Washington to pay more attention to its growing Asian trade and investment. Japan is attempting to balance its tilt towards Asia by protecting its existing links with the US, still of prime importance.

As Apec chairman this year, Japan will have to mediate between the contrasting aspira

> Washington proposes Apec's 18 members open their own round of multilateral talks on trade liberalisation

tions of the US and Australia on one side and Asian members on the other, without further straining the consensus reached in Jakarta.

Asian countries are anxious to keep the region open, in order not to undermine the World Trade Organisation, a valuable protector of their trade interests.

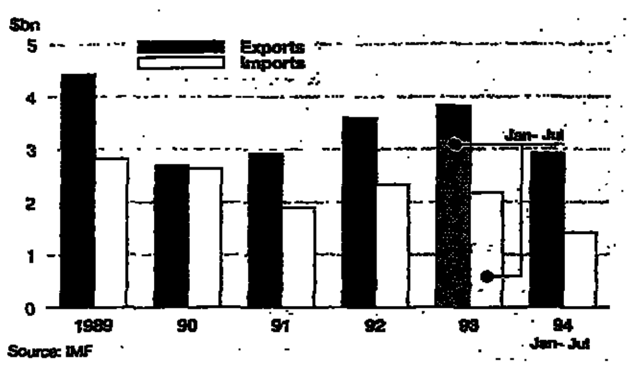
The US wants Apec quickly *to set up its own free trade* regime, partly to make Asian markets more open to American goods.

The US and Australia also believe that a free-trade Apec could be used to gain trade access elsewhere, if Apec adopted the US creed that it should offer non-members access to its free trade only in return for similar benefits in their markets.

US clinches $1bn India deals

By Nancy Dunne in New Delhi

India's trade with the US



Source: IMF

Business executives on a US trade and investment mission to India yesterday concluded deals worth more than $1bn, including a long-awaited $100m telecommunications pilot project by US West.

The telecoms deal, to construct the country's first privately operated telecommunications network, followed a *two-year wait for a govern*ment go-ahead.

Competitors have alleged that US West received favourable treatment because it was part of a business delegation accompanying Mr Ron Brown, the US commerce secretary, on the six-day trade mission to India.

US West International, the Indian-based facility of US West, plans to provide accessible phone services over a 10-year period. Services will be provided through a fixed wireless network.

The largest of the deals signed yesterday was Enron's Dabhol project, a $920m private power plant. It will receive one of eight counter-guarantees by the government, insuring state obligations. The US Export-Import Bank will provide a $300m guarantee and the Overseas Investment Corporation will provide a $100m loan guarantee and risk insurance. Both the Enron and US West projects are seen by US officials as "flagship" deals, which, if successful, will lead to more contracts.

Other deals signed include:

■ A $400m energy agreement signed between Mission Energy of Irvine, *California*, and Tata Iron and Steel for a 300MW power station in Bihar state.

■ An agreement between Community Energy Alternatives and the state of Punjab for the construction of two 200MW coal-fired thermal power plants.

■ Three letters of intent to build cellular telephone networks in Calcutta, Bombay, and New Delhi.

■ Two memorandums of understanding among several US and Indian businesses to establish a company – India Ash Products – to invest in coal ash utilisation programmes throughout India.

■ An understanding between the American International Group, the US insurer, and Tata Group, India's largest industrial conglomerate, jointly to enter the Indian insurance market after liberalisation.

■ *A $5m contract with the* Ministry of Telecommunications to assist in building and operating a Very Small Aperture Terminal (V-SAT) and a joint venture between *Qual*comm and Modi Enterprises to bid on basic services and telecommunications services.

Mr Brown and Mr Pranab Mukherjee, India's commerce minister, also signed yesterday an agreement establishing a government-private sector US-India commercial alliance to boost their countries' commercial links over the next two years.

Mr Brown said the alliance would be "an institution of substance" not rhetoric.

Delhi opens tenders for telecoms

By Shiraz Sidhva in New Delhi

India's Department of Telecommunications yesterday began distributing tender documents to private bidders for the country's newly privatised basic and cellular telephone services. The department released guidelines for bidders on Saturday, nearly eight *months after announcing a* national telecommunications policy, and four months after privatising basic telecoms services.

Under the guidelines, prospective bidders must be private Indian companies registered under the Indian Companies Act, 1956. State-owned companies have been excluded because of constraints on public resources and because the government saw no advantage in one public sector company competing against another.

Foreign companies will not be permitted to hold more than 49 per cent of total equity in a bidding company. But the stipulation that a bidder company must have the minimum experience of operating a telecoms *network of 500,000 lines as on* January 1, 1995, or a minimum of three years' experience of operating a cellular telephone network of 100,000 lines, will help foreign investors because no Indian company in the private sector has the requisite experience. The experience of a foreign promoter which has an equity of over 10 per cent in the bidding can be counted.

The government has divided the country into 20 telecommunications circles, categorised A, B and C in order of importance. The A category includes the heaviest volume areas of Delhi, Gujarat, Maharashtra (including Bombay), Andhra Pradesh, Karnataka and Tamil Nadu. In this category the bidder, its Indian or foreign promoters, must have a minimum *total net worth of Rs3bn* ($95.6m) for basic services and Rs1bn for cellular phone services. The minimum net worth of bidders in the B area falls to Rs2bn for basic telephony and Rs500m for cellular services; and in the C regionto Rs500m for basic services and Rs300m for cellular services.

Any number of companies can combine to bid, but Indian or foreign companies cannot be part of more than one joint venture. The government reserves the right to restrict the number of circles for which franchise is to be granted to one bidder to prevent a potential monopoly.

Licences for basic services will be granted for 15 years with a provision for an extension of 10 years. For cellular *phone services, licences will be* awarded for 10 years with an extension provision of five years.

Private operators will not be allowed to charge tariffs higher than the Department of Telecommunications tariff. The government says it is establishing a Telecom Regulatory Authority to determine tariffs, settle disputes and protect consumer interests.

NEWS: INTERNATIONAL

Kazakh gas field output to be phased

By Robert Corzine, Oil and gas correspondent

The western and Russian partners in the proposed development of the huge Karachaganak natural gas field in Kazakhstan have decided to adopt a phased approach to the proj*ect, thus dashing Kazakh gov*ernment hopes for an early commitment to full-scale production.

The Kazakh government, grappling with a *sharply* deteriorating economy, had viewed the early development of Karachaganak as one of the keys to triggering an economic recovery in the country.

The severity of Kazakhstan's economic downturn was highlighted yesterday with official statistics showing gross domestic product had declined 25 per cent last year.

Optimism had been rising in recent weeks that a deal could soon be signed between British Gas, its Italian partner Agip, Gazprom, the Russian monopoly gas company, and the Kazakh government.

Talks are taking place in *Moscow* between the western companies and Gazprom, which discovered Karachaganak and controls export routes from the region, on the *final details of an agreement.*

But officials close to the talks say any agreem nt is unlikely to be a full production-sharing contract that *would lead to the early*, large-scale development of the field, the cost of which has been estimated at $5bn (£3.1bn).

Instead, the agreement is *likely to cover a more limited* programme aimed at arresting the decline in the field's output and gradually restoring production.

The work would be carried out by British Gas and Agip. Their investment would be recouped by exporting some of Karachaganak's gas and condensate, a naturally occurring gasoline, to the west via Gazprom's pipeline network.

Gazprom would benefit from such an approach because the nearby Orenburg gas processing plant, one of Russia's largest is running below capacity due to declining production from the Orenburg gas fields.

The western partners believe it may take several years to negotiate a full production-sharing contract, because they want a firm commitment from *Gazprom to allow large quanti*ties of Kazakh gas to pass through the Russian pipeline system to west European markets.

*They want to avoid the situa*tion which faces Chevron, the US oil company which has spent more than $600m on the Tengiz oil field. It has been forced to operate at about half capacity because it has so far failed to reach agreement with Russia on an export pipeline.

Nigeria to lobby west on 'guided' reforms

Official creditors react cautiously to deregulation measures announced in budget, writes **Paul Adams**

Nigeria yesterday offered for lease its four oil refineries and two petrochemical plants in a bid to earn money to bolster its faltering economy, AP reports from Abuja.

Also up for lease are the country's steel mills, fertiliser factories, paper manufacturing plants and the national carrier, Nigeria Airways, Finance Minister Anthony Ani said. Management leases for 10 years are on offer to "any competent foreign or local technical partner," he said. The oil refineries have a total capacity to produce 420,000 barrels a day but never have operated at more than 30 per cent of capacity.

Nigeria's military regime will lobby western governments next week to ease the burden of its external debt and to support the liberal economic reforms contained in its budget, but official creditors are reacting cautiously to the policy changes.

"I don't expect a sudden change in attitude by donors or investors until we see how these policies are implemented," said a western diplomat in Abuja yesterday.

But privately government officials said there would be a *transition period of at least* nine months while it tightened fiscal controls and improved the investment climate.

"This year will be a turning point", *said a government* adviser. "The head of state has realised that he was ill advised to regulate the economy last year but we have to move fast to show that deregulation will work."

The budget, announced at the weekend, was based on discussions with the International *Monetary Fund and the World* Bank. Their approval is the precondition for fresh credits and debt relief to Nigeria but, after the erratic swings in policy since 1993, creditors will want evidence that Nigeria is on the right track.

Mr Anthony Ani, the acting finance minister, yesterday set out plans for "guided deregulation" of foreign exchange and *investment policies and fore*cast a low budget deficit based on big increases in non-oil revenues and curbs on spending.

Recent Nigerian regimes *have failed to deliver* on such promises before. General Sani Abacha, the head of state, last year forecast a balanced budget; the government recorded a deficit of $4bn, about 12 per cent of gross domestic product.

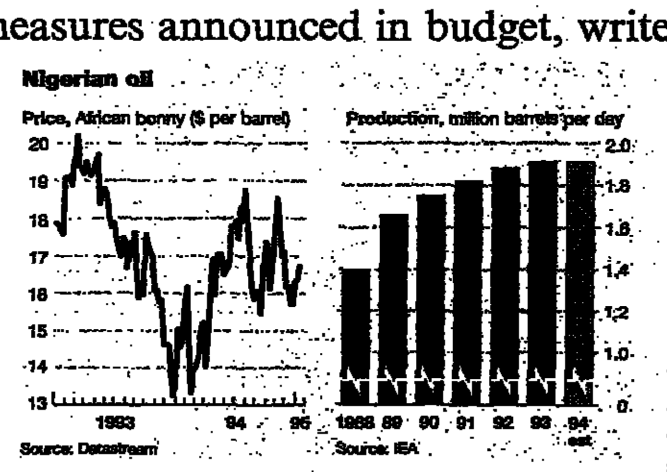
Mr Ani, assisted by Mr Abubakar Alhaji, high commissioner to the UK, and a former *head of state, Mr Ernest Shone*kan, will seek to persuade the governments of the UK, France and the US that the new policies amount to more than good intentions.

Nigeria needs the backing of London, Paris and *Washington* to negotiate with the Paris Club of official creditors to unblock credits for proposed investments. Nigeria owes the *Paris Club $18bn, excluding* $8bn arrears since it stopped servicing this debt in 1992. This year's budget indicates that those arrears will mount by some $2bn this year.

Nigerian banks are waiting for guidelines from the Central Bank of Nigeria, due today, for the deregulated foreign exchange market. A central bank official said banks were free to buy and sell at market rates unless the hard currency came from an oil exporting company.

Re-opening the foreign exchange market would help ease the acute shortage of hard currency for manufacturing industry which was responsible for 1994 being such a difficult year. Investors, while not looking to overnight improvement, believe the budget marks a big improvement.

Nigerian oil



Source: Datastream

Source: IEA

Several anomalies remain. The government has kept the official exchange rate of the naira (N22 to the dollar) for the public sector, although the market value is about N85. The gap between the two rates gives scope for corruption and deprives the government of revenue.

The newly deregulated foreign exchange market will be for the non-oil private sector but the central bank reserves the right to intervene. The government used this method in November to halt the slide of the naira. The currency could come under pressure again this month *if subsidiaries of multi*nationals use their new freedom to buy dollars at any price.

The international oil companies, the main source of hard currency in the private sector, have to sell their dollars to the central bank at its rate rather than through the banks. Central Bank officials said yesterday that this rate would be in line with the autonomous market but would not be specific.

"Obviously the central bank is looking to have some control over the rate and perhaps to throttle devaluation, but it should be better than the official rate we got last year," said an executive of an international oil company in Lagos yesterday. Last year the requirement to change dollars *at the official rate kept* large sums of oil companies' money outside Nigeria.

But the crucial issue for the oil industry is the level of gov*ernment funding* for joint ventures. Oil companies described the $2.3bn budgeted as adequate, but they are looking for guarantees that payments will be on schedule. The state-owned Nigerian National Petroleum Corporation owes about $800m to the oil companies who operate the joint ventures. This forced them to cut investment and they are asking for a mechanism to ensure that they get paid before investment will pick up.

The government has also retained the ceiling on interest rates at 21 per cent for lenders although inflation exceeds 70 per cent, according to Mr Ani, or even higher by some estimates. Bankers say the cap on interest rates has undermined savings and encouraged companies to borrow rather than invest.

Norway recalls Iran envoy over Rushdie dispute

By Karen Fossli in Oslo

Norway yesterday recalled its ambassador from Iran following a diplomatic dispute centring on the fatwa (death edict) imposed by Tehran's late revolutionary leader on the author Salman Rushdie.

Iran has already recalled its ambassador from Norway, where Mr Rushdie's publisher was seriously wounded in a 1993 shooting. Tehran has made clear the recall was because *the envoy had been too conciliatory* about the death edict in a letter to the Norwegian government.

An Oslo foreign ministry statement said Mr Birger Bye, Norway's ambassador to Tehran, was *recalled* for consultations after Tehran withdrew this letter.

Mr Ingvard Havnen, a Norwegian foreign ministry spokesman, could not say yesterday whether Mr Bye *would be returning to Tehran.*

Mr Bjorn Tore Godal, Norway's foreign minister, said the ministry regretted Iran withdrew the letter sent by the Iranian embassy which said the fatwa linked to Mr Rushdie's book, The Satanic Verses, would not be acted on by Iranian authorities in Norway.

The dispute centres on the 1993 shooting of Norwegian publisher *William Nygaard, who released Mr* Rushdie's book in Norway. Mr Nygaard has since recovered from three gunshot wounds and believes the attack was linked to the fatwa by Ayatollah Khomeini, Iran's late revolutionary leader, who ordered it imposed on Mr Rushdie and anyone linked to his novel.

Iran has denied involvement in the shooting of Mr Nygaard but has *refused* to condemn or withdraw the death edict.

The Japanese translator of The Satanic Verses, Mr Hitoshi Igarashi, was stabbed to death in 1991. Mr *Ettore Capriolo*, who translated the novel into Italian, was injured in a knife attack at his flat the same year. Neither case has been solved.

SOME THINGS CHANGE ONLY IN NAME SOME NAMES CHANGE THINGS

As of today New Holland is living proof of the fact that the whole is greater than the sum of its parts. As of today the New Holland name unites two of the world's largest producers of farm machinery, Fiatagri and Ford New Holland, in an organization that is versatile, agile and innovative.

Guided by the customer's needs, New Holland offers advanced technology, a full range of products and unfailingly efficient service. For people who, in cultivating the land, are cultivating a new idea of the world, New Holland offers the tools not just to produce more but also to produce better.

NEW HOLLAND

MACHINERY FOR ADVANCED AGRICULTURE

FROM THE WORLDWIDE EXPERIENCE OF FIATAGRI AND FORD NEW HOLLAND

US in tax row over transfer price proposals

By George Graham in Washington

The US has locked horns with France and Germany in a row over new guidelines on the taxation of multinational business.

US Treasury officials are seeking to defend draft guidelines issued by the Organisation for Economic Co-operation and Development, the Paris-based grouping of industrialised nations, on transfer pricing, the methods by which multinationals determine how much of their profits, and hence their tax bill, should be allocated to each country in which they do business.

The guiding principle of international transfer pricing rules has been, and remains in the OECD draft, that prices charged by a company to its subsidiary in another country should be set for tax purposes on an arm's length basis – as if they were charged to an unrelated company.

But French and German business groups, with some support from their governments, have complained that the draft OECD guidelines, issued for comment last July, allow in some circumstances the use of the comparable profits method, which they regard as a breach of the arm's-length principle.

Under the comparable profits method, which has been used by several countries although only the US tax authorities have formally recognised it in regulations, tax assessors try to establish a transfer price for one company by looking at the profit ratios, rather than the prices, of an unrelated company in the same line of business.

Critics say this ends up applying a crude formula to the tax assessment.

But Mr Joseph Guttentag, international tax counsel, last week warned European businesses that if the OECD guidelines, which would replace a set of guidelines dating from 1979, were not agreed in substantially their current form, demands from the US Congress for even more radical approaches to the taxation of foreign companies would be strengthened.

Senator Byron Dorgan of North Dakota, for example, favours a formulary method like California's unitary taxation, based on the percentage of a company's payroll, property and sales arising in the state.

A 1992 proposal from the House of Representatives ways and means committee would have taxed all foreign companies on the basis of the average profitability of US companies in their sector, regardless of whether they actually made any profits.

"It is necessary to update the OECD guidelines – not to overturn the arm's-length standard but to save it," Mr Guttentag told the European-American chamber of commerce in Washington.

He warned that the main advantage of the arm's-length principle over formulary methods was "the simple fact that most of the world agrees that it should be the international norm".

If a consensus cannot be reached on the OECD guidelines, that advantage would disappear.

Despite the row, tax officials appear confident that differences can be worked out and final agreement reached on the guidelines at an OECD meeting in June – possibly with changes to the document, in order to make it clearer that comparable profit methods should only be used as a last resort.

Fujimori well ahead in Peruvian poll race

But there have been protests about the ways he keeps himself in the news, reports Sally Bowen

Peruvians cannot complain of lack of choice for the general elections on April 9. By the deadline for registration last week, no fewer than 23 parties and movements had presented lists for Congress – a total of 2,760 candidates. For the job of president, there are now 14 hopefuls.

Yet one man is dominating the process. Serving President Alberto Fujimori – who closed Congress in 1992, engineered new elections and rewrote the 1993 constitution to permit immediate re-election – has a commanding lead in the opinion polls.

In campaign terms, Mr Fujimori is also light years ahead of his opponents. For many months he has devoted much of each working week to lightning visits into remote provincial areas to open new schools, roads and health posts, built with fresh-flowing credits from the multilateral organisations, friendly countries and proceeds from the process of privatisation.

Both the opposition and the JNE, Peru's autonomous national electoral board, have tried to curb the presidential enthusiasm for such openings. They argue that showing off public works gives the candidate-president an unfair advantage over his rivals.

But a restrictive draft law has been watered down by the government majority in Congress. Mr Fujimori may continue with inaugurations, only prohibited from using the occasions for "political proselytism". If he transgresses, he may face a fine, but cannot be disqualified from the race, as the electoral board had proposed. The JNE has publicly complained that the modification to the draft law stops them acting "with due efficacy [against] infractions which may arise in the electoral process".

Opponents are also unhappy at the novel, and last-minute, congressional provision that ballot papers shall carry photographs of presidential candidates. For months, on his trips to far-flung provinces, Mr Fujimori has been distributing calendars with his photo prominently attached. Semi-literate voters, it is alleged, will choose the easy option and select the best-known face.

The fact is that Peru's system of checks and balances on the power of the president – rudimentary at the best of times – is totally unprepared for controlling electoral campaigning.

This is hardly surprising: immediate re-election has been constitutionally outlawed in almost every period of Peru's republican history, as the only means of limiting the vast influence an incumbent president wields over regional authorities, the armed forces and public finances.

Pérez de Cuéllar: listening

Higuchi: threat fizzling out

Fujimori: on calendars

Warnings of possible abuses have become a leitmotif in the campaign. Mr Fujimori's chief challenger, former UN Secretary General Javier Pérez de Cuéllar, has repeatedly claimed to have "indications" of planned fraud on the part of the government. Confirmation of those allegations, he says, would be the only factor which could provoke his own withdrawal from the presidential race.

The elections could hardly be coming at a better moment for the current administration. Current macro-economic indicators are little short of spectacular: GDP growth last year topped 12 per cent, the highest in Latin America for the second consecutive year; inflation was 15.4 per cent, the lowest for 23 years. Even exports, boosted by favourable climatic conditions and buoyant international minerals prices, are at record levels.

Terrorism is little more than an ugly memory and foreign investors are flocking in.

Faced with these objective successes, Mr Fujimori's opponents are struggling to present credible policy alternatives. Indeed, as the candidate-president himself points out, they are reduced to suggesting ways of "perfecting what Fujimori has done", usually emphasising the need for more social spending and more job creation.

The potential threat from Mr Fujimori's wife, Ms Susana Higuchi, seems to have fizzled out. Barred from running for the presidency, she is hoping to be elected to Congress at the head of an alliance between her Harmony XXI Century movement and a group of retired police and military. Support for international economist Mr Alejandro Toledo, meanwhile, seems to have peaked at around 10 per cent.

The principal challenge is expected from Mr Pérez de Cuéllar, but his campaign has so far failed to ignite popular enthusiasm. The former diplomat has spent the past three months since declaring his candidacy quietly, "doing a lot of listening", and establishing contact with the many grass-roots organisations which feel marginalised from the current political process.

As the recently announced list of candidates for his Union for Peru (UPP) party underlines, the Pérez de Cuéllar church is a broad one. His supporters come from left and right, and include prominent businessmen, bankers, sociologists, jurists and retired generals as well as representatives from the provinces, native communities and urban shanty-towns.

The basic Pérez de Cuéllar message is irreproachable. "I know how to negotiate and conciliate: I've spent my life doing it. I can assure governability in democracy."

But Mr Pérez de Cuéllar will need to pull something more dramatic out of the campaign bag if he is to halt Mr Fujimori's triumphal march towards re-election.

Mexican markets await securities auction calmly

By Ted Bardacke in Mexico City and Stephen Fidler in London

Mexican financial markets were calm yesterday as investors waited for today's auction of *tesobonos*, the short-term dollar-denominated government securities that have been at the centre of the country's liquidity crisis.

The central bank originally planned to offer \$400m (£256m) in *tesobonos*, but is expected to reduce the size of the auction in an attempt to increase the likelihood of success. Only \$67m of *tesobonos* were bought last week, from \$400m offered, at an interest rate of 20 per cent. "Anything less than \$100m would be a bad sign," said one foreign broker.

A successful outcome today is regarded as an important element in rebuilding short-term confidence in the government's economic programme and in staunching capital outflows.

Yesterday, Mr Guillermo Ortiz, Mexico's finance minister, Mr José Angel Gurria, foreign minister, and central bank president Mr Miguel Mancera were in Washington for talks with the US Treasury and International Monetary Fund.

Mexican officials want to have a letter of intent in place this week for a standby loan programme from the IMF and wish to settle details of the guarantee package of up to \$40bn from the US Treasury.

A senior banker said a \$3bn contribution from international banks to a separate \$18bn financial support package for the Mexican government was advancing. The terms of the standby credit from banks were distributed last Tuesday. Mr William Rhodes, Citibank vice-chairman, said several banks had already responded positively. "I expect the necessary commitments to be in hand by the end of this week," he said.

Worries over the *tesobono* auction put some pressure on the exchange rate yesterday. At midday the peso had weakened slightly to 5.45 to the dollar, from Friday's close of 5.3. The main IPC index of the Mexican stock market was up 0.72 per cent at midday, with investors reshuffling portfolios and hunting bargains.

President gambles over high-risk Chiapas talks

Failure could increase public disquiet, writes Ted Bardacke

The first direct negotiations since May between the Mexican government and the rebel Zapatista army in the southern state of Chiapas, which took place on Sunday, represent a big risk for President Ernesto Zedillo.

The Zapatistas, whose broad demands include land reform and indigenous autonomy, as well as national political reform, have in the past proved to be belligerent negotiators who are not easily satisfied. By entering into direct negotiations with the rebels, the government may be raising expectations of an agreement without knowing if there is much chance of reaching one.

Mr Esteban Moctezuma, the interior minister, who heads the government team, met the rebel leader, Subcomandante Marcos, at a secret location in the rebel-held Lacandon jungle.

Aides to the president maintain it is a risk worth taking, as the dividends of a peace accord with the armed peasant group would be enormous.

The widespread perception that last month's devaluation and floating of the peso were mishandled, and the subsequent financial crisis, have overshadowed the first weeks of Mr Zedillo's presidency. While it would be an exaggeration to say Mr Zedillo is staking the success of his young presidency on making peace with the rebels, he has been desperately looking for a way to show the country he can be an effective leader.

A permanent settlement in Chiapas would do just that. At least 145 people were killed in the first days of the uprising but a fragile ceasefire has been in place since mid-January last year. But the process towards a lasting peace could be a long one, assuming that it continues.

Sunday's negotiations appear to have been to sound out preconditions for the start of substantive talks. "We're lucky if they agree on the size of the table," said one presidential adviser.

Government officials say the speed at which the negotiations take place will depend on the Zapatistas' willingness to pull back from their original preconditions of a demilitarisation of Chiapas and the resignation of the state's governor, Mr Eduardo Robledo.

In the meantime the government has at least taken some of the initiative away from the rebels; as long as they are at the negotiating table a surprise attack by the Zapatistas is unlikely.

The government is also putting the rebel pledge to negotiate in good faith to a public test. If the Zapatistas walk away, the government may have the domestic and international support to deal with the situation militarily.

Mr Zedillo is betting he can solve a tricky problem in a relatively short time. Early failure, or negotiations dragging on for months, would be taken by the disillusioned Mexican public as another sign that the president just does not have what it takes to lead the country at a difficult juncture.

The president's long-standing goal of a nationwide agreement on political reform with the big opposition political parties also hangs in the balance. Sources say such an agreement will be reached soon but that the lack of a solution in Chiapas is a stumbling block with the leftist opposition Party of Democratic Revolution.

Central American trade hopes hit

By Edward Orlebar in Guatemala City

Prospects for a free trade area incorporating Mexico and Central America have been hit by the Mexican financial crisis, Central American officials say.

A bilateral free trade agreement between Costa Rica and Mexico came into force on January 1, but plans to extend it to the rest of Central America by January 1 1996 now look unrealistic.

"We can't have the free trade area by then. The negotiations will have to move much more slowly," said Mr Enrique Lacs, a Guatemalan private-sector trade expert who, together with Salvadorean and Honduran officials, is involved in negotiations with Mexico.

In Guatemala, which last year had a trade deficit with Mexico of more than \$100m, officials are concerned that the peso's devaluation will prompt a flood of cheap Mexican goods and encourage contraband, while a depressed Mexican market will be less receptive to Central American products.

Central America's overall trade deficit last year was more than \$4bn, about 14 per cent of gross domestic product. Most countries are running substantial current account deficits which cannot be financed indefinitely by private capital inflows, analysts say.

Hopes that Mexico would become a growing source of foreign investment in a region still starved of capital after recovering from the ravages of civil war have subsided.

Exporters also fear that Mexico will displace Central American goods in third markets, particularly the US, which accounts for about 40 per cent of the region's trade. Many Central American exports to the US, such as non-traditional agricultural produce, are also exported by Mexico, which enjoys the advantage of freer access for some products since the implementation of the North American Free Trade Agreement.

"We really are at a gigantic disadvantage," said Mr Carlos Arias, a clothing exporter and the Guatemalan representative at the Central American and Caribbean textile and apparel council.

The textile and clothing industry, which has grown rapidly in Central America over the past decade to account for about 15 per cent of exports, is already reeling from a decision by the US government not to push for parity with Mexico on access to the market.

Since that decision last September, the industry has lost hundreds of contracts, and producers have relocated to Mexico to take advantage of the tariff differential. The devaluation of the peso and a ceiling on wage increases is expected to undermine the industry further.

Mr José Rossi, the Costa Rican trade minister, played down suggestions that Costa Rica would have to alter its free trade accord to counter the devaluation. The agreement has been criticised by other Central Americans as insufficiently protective of Costa Rica's small \$6bn economy.

He said Mexico represented less than 2 per cent of Costa Rica's imports. However, Mr Rossi admitted he was concerned about the possible domino effect on foreign investment in Costa Rica, which has the most developed capital market in the region.

He also expected the tourism industry to be hit.

Republican budget plan delay

By George Graham

Republicans continue to drum up support for a constitutional amendment requiring the federal government to balance its budget each year, but the new congressional majority has begun to stumble in efforts to tackle the detailed budget decisions underpinning its agenda.

After postponing the vote on the balanced budget amendment, Republican leaders in the House of Representatives have had to delay plans to revisit the current year's budget to find more retroactive spending cuts.

They had originally hoped to work up a bill containing these cuts by the end of January. But they now agree they will not realistically be able to tackle the job until after February 6 when President Bill Clinton presents his budget for the 1996 fiscal year, which starts on October 1.

That small delay is another problem for the ambitious 100-day timetable the Republicans mapped out in their Contract with America, a 10-point legislative agenda used as a campaign manifesto.

The Contract promises that the House budget committee will bring to the floor a list of budget savings to offset the cost of the rest of the agenda, notably tax cuts, the budget cost of which the Treasury has estimated at \$205bn over the period 1995-2000.

But congressional aides now say that that list of savings, too, is unlikely to be produced until after Mr Clinton has presented his budget. A failure to produce the list will give fresh ammunition to the Democratic opposition, which is building its assault on the balanced budget amendment around the demand that the Republicans specify how they would in fact balance the budget. This would require sharp cuts to middle class entitlement programmes such as Social Security and Medicare, which make up the biggest segment of government spending.

Republican leaders have leapt, accordingly, on calls from Mr Alan Greenspan, the chairman of the Federal Reserve, for changes in the way the consumer price index is calculated. He argued that, on the assumption that the CPI overstates the real rate of inflation by 1 percentage point a year, recalculating the index would lower the budget deficit by \$55bn at the end of five years, because federal payments indexed for inflation would rise more slowly.

NEWS: ASIA-PACIFIC

Asian borrowers may capitalise on Japan's debt of history

Regional neighbours are hoping to ease burden caused by rise of yen, writes Gerard Baker

Points East

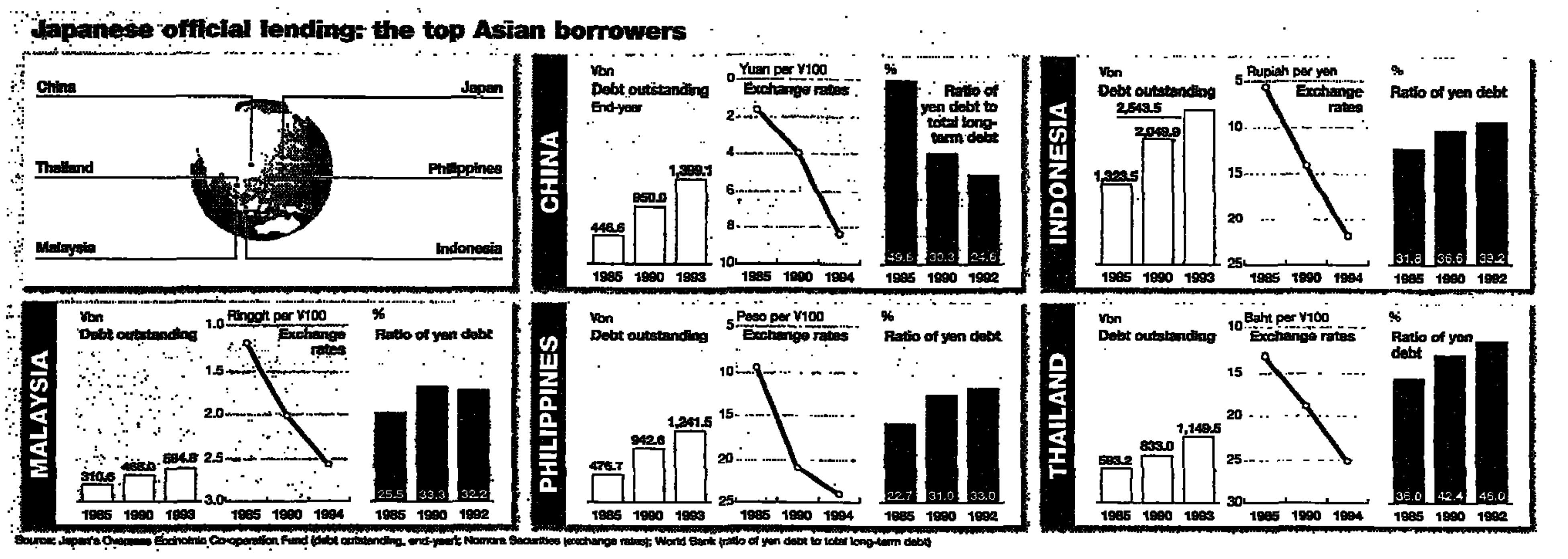
This year is likely to be a delicate one in Japan's turbulent relations with its Asian neighbours. Attempts to placate with gentle words those who suffered in the second world war will take centre-stage in a year that marks the 50th anniversary of the aggressor's surrender.

But while the country's diplomats perform delicate footwork on that sensitive subject, there is growing concern in Japan's financial community that a more immediate problem may be in the offing – a Mexican-style debt crisis among many of the rapidly developing economies of east and south-east Asia.

These countries, who borrowed heavily from Japan in the last decade to finance their economic expansion, are facing a crippling burden as debt service costs rise sharply in line with the remorseless appreciation of the yen.

The problem is acute. In the 1980s the total outstanding external debt of Asian countries excluding Japan trebled. To begin with, most of the borrowing came from outside Asia. But as the region's current account deficit with Japan widened, Japanese banks and official lenders started recycling the country's surplus with Asia into large flows of capital back into the region.

By 1993 Japan's surplus had reached more than $50bn (£32bn), and capital inflows, most of them in the form of lending, had risen to match it.



Source: Japan's Overseas Economic Co-operation Fund (debt outstanding, end-year); Nomura Securities (exchange rates); World Bank (ratio of yen debt to total long-term debt)

The bulk of the funds borrowed from commercial banks was and still is denominated in US dollars. But the Japanese government, like most official lenders (and with commendable prescience), insisted that its financing be conducted in yen. Between 1985 and 1993 the total debt owed to official Japanese lenders among the five leading economies of the region more than doubled to nearly Y7,000bn (£45.2bn).

Since most Asian currencies are tied to the US dollar, they have, in the last decade, declined steeply against the Japanese currency, falling by an average of 50 per cent. The combined effect of the higher borrowing and the stronger yen has been to increase yen debt service costs more than fivefold in less than 10 years.

Most of the heavily indebted countries have, however, enjoyed rapid growth in the last decade, much of it export-led. And the bulk of the debt has until now been in US dollars, so a serious debt crisis has been averted. But as the Japanese yen-denominated proportion of the liabilities continues to mount, the burden is growing heavier.

The share of yen loans in total debt has risen in the last 10 years from 27 per cent to more than 35 per cent and is still increasing swiftly. Since most of the countries' exports remain dollar-denominated, the yen's appreciation represents an ominous sign of even higher costs to come.

All this has alarmed regional governments. In the last few months several have been lobbying the Japanese for action to ease the strain. The most vocal criticism has come from Malaysia. On a visit to Tokyo last September Dr Mahathir Mohamad, its prime minister, excoriated the Japanese for refusing to address the problem. At the Asia-Pacific Economic Co-operation conference in Jakarta in November the Japanese delegation came under further pressure.

At the weekend Mr Masayoshi Takemura, the Japanese finance minister, returned from a week-long tour of Asian nations in which the subject was top of the agenda. In Beijing he was told by Mr Liu Zhongli, the Chinese finance minister, that Chinese enterprises were suffering under the burden of Japanese debt. In Kuala Lumpur he was reminded of the dangers inherent in an explosion of debt – for both borrower and lender.

Although they have not requested a formal rescheduling of the debt, the debtor nations are seeking a de facto restructuring. They want the Japanese to disburse more new money, at the same or lower rates of interest, some of which would be used to repay interest and principal on debt.

"The Asian governments are dropping dark hints about their difficulties in meeting their obligations, and the need for formal rescheduling," said one former Japanese bureaucrat. "But what they really need is much more money."

The Japanese have been reluctant to accede to such demands. In China Mr Takemura indicated to his hosts that Japan was the country hardest hit by the effect on its exporters of the yen's appreciation. Privately, Japanese officials point to the irony in the fact that Asian countries, all of whom have benefited from Japanese manufacturers' discomfiture caused by the high yen because of the production they have located there, are demanding assistance with one unhelpful side-effect of the yen's rise.

But the reality, as officials also acknowledge, is that Japan will find it hard to resist the pressure. The risk of a formal request for rescheduling or even default is financial chaos in Asia on a Latin American scale – and, as the largest lender, Japan would feel the repercussions more severely than most.

And even though the problem is still confined to official debt, the dangers for Japan's fragile financial system are too large to contemplate. So it was that just before Mr Takemura's visit, Japan announced a large soft loan for the Chinese of Y580bn over three years.

According to Mr Rei Masunaga, deputy president of the Japan Centre for International Finance, there was little doubt about the real purpose of the loan. "Though it was earmarked for project finance, the government is in effect free to use it how it wishes," he said.

Most analysts expect other leading debtors to ask for similar loans, and no one believes they will be turned down. Japan knows that in this of all years, with the constant reminder of the other debt it owes Asia, any refusal to assist needy neighbours would be virtually indefensible.

US to press Pyongyang on S Korean reactors

By John Burton in Seoul

The US is expected to press North Korea to accept nuclear reactors from the South when officials travel to Beijing later this month to discuss implementing the recent US-North Korean agreement.

The US, South Korea and Japan met last week in Washington to consult on the $4.5bn (£2.8bn) contract to supply the safe light-water reactors promised to North Korea if it dismantles its current nuclear programme, which is capable of producing large amounts of weapons-grade plutonium.

The three countries are the main partners in the proposed Korea Energy Development Organisation (Kedo), the international consortium to finance and supervise replacement of North Korea's nuclear reactors.

The Washington meeting failed to agree on whether "South Korean model" reactors should be mentioned in the pact setting up the agency.

The US has opposed including the phrase since it could irritate North Korea, which has objected to accepting South Korean reactors. South Korea has threatened to withhold support for the project, including financing more than half its cost, if North Korea refuses to buy its reactors.

Another meeting among the Kedo partners may be held in Tokyo this week to try to resolve the issue. But the three countries agreed on specifying the two latest reactors at South Korea's Ulchin nuclear complex as the reference models in the contract. The new Ulchin reactors are based on licensed technology from Combustion Engineering in the US.

Under the US-North Korean nuclear agreement signed last October, Pyongyang was promised provision of light-water reactors "with a total generating capacity of 2,000MW". This implied acceptance of the two Ulchin units with a generating capacity of a 1,000MW each. North Korea insists it should select the reactor model since it must eventually repay the loans secured for construction.

Pyongyang prefers buying the reactors from Russia, which it regards as a more friendly and dependable supplier than South Korea. Moscow has expressed interest in selling its light-water reactors to North Korea.

North Korea is believed to have misgivings about the presence of South Korean engineers and workers over the next decade if Seoul wins the contract to build the reactors by 2003. Selection of a reactor type is expected to dominate the US-North Korea talks on the supply contract, due to be signed by April 21 under the accord.

A pull-out by Seoul from the project, if Pyongyang continues to refuse its reactors, would be a blow to US efforts to have other countries almost entirely finance the programme.

International financing would reduce the ability of the new Republican-controlled US congress, critical of the North Korea nuclear agreement, to scrap the accord by denying US funding for the project.

Seoul and Tokyo together are expected to provide 80 per cent of the financing, with the US seeking the support of the Group of Seven leading industrial countries and Asian allies for the rest. The US hopes its Middle East allies, including Saudi Arabia and Kuwait, will supply the $500m worth of heavy fuel oil pledged to North Korea over the next decade to replace energy lost from the shut reactors. The US argues Mideast co-operation is necessary since the oil shipments will cut the need for energy-starved North Korea to supply missiles to Iran in exchange for petroleum.

The initial $5m fuel oil shipment to North Korea, which left a South Korean port yesterday, has been paid out of emergency US defence department funds, which are not subject to congressional approval.

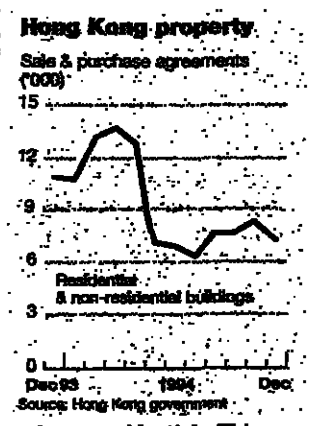
The US will try to avoid direct financing of the nuclear project, but a US official will head Kedo, since the nuclear agreement stipulated the US will represent the consortium in talks with North Korea. South Korea and Japan will appoint deputy directors to Kedo, expected to be based in New York.

Kedo will be responsible for supplying the fuel oil to North Korea and the disposal of spent nuclear fuel rods, held by Pyongyang, containing enough plutonium to make four or five atomic weapons.

The US is this week expected to lift, by executive order of President Clinton, some financial and telecommunications curbs on North Korea, in a move to open liaison offices in each other's capitals, as promised under the nuclear agreement.

ASIA-PACIFIC NEWS DIGEST

HK property sales decline



Hong Kong government figures for transactions in land and buildings last year provided fresh evidence yesterday of the depressed state of the colony's property market. In December, registrations of sales and purchases of properties with the colony's land registry were 12.5 per cent lower than in November, and 33.5 per cent less than in December 1993. During the year as a whole, the government's land registry received 114,892 notifications of sales and purchases of properties, both residential and non-residential. This was 13.65 per cent down on the number on 1993. Underlining the scale of property price inflation that has occurred, the value of properties sold in Hong Kong last year was HK$423.95bn (£35.3bn), 31.5 per cent higher than in 1993. Most of this inflation occurred in the year's first half. The growth in prices is being reversed as transactions in the market dwindle under pressure of higher interest rates. Property transactions nearly halved during last year, from an average 12,500 in the first six months of the year to about 7,000 in the last six months. *Simon Holberton, Hong Kong*

Indonesia raises interest rates

Indonesia yesterday raised its main short-term interest rates by half a percentage point in a further effort to defend the rupiah, under selling pressure in the wake of the Mexican economic crisis. One-month to 12-month deposit rates rose to 15.75 per cent from 15.25 per cent. The moved helped stabilise the currency which closed unchanged on Friday's level at Rp2,203 against the dollar. Dealers said the rate increase did not fully offset the large discounts that have emerged for buyers of the Indonesian currency in the forward exchange market, but Indonesia's economic fundamentals are strong. Mr Sudradjad Djiwandono, central bank governor, said comparisons with Mexico were unfair because the Indonesian economy was much stronger. *Manuela Saragosa, Jakarta*

Seoul delays OECD application

South Korea is to postpone its application to join the Organisation for Economic Co-operation and Development by two months until March because preparatory work has not been completed. The ministry of finance denied that the Mexican financial crisis had greatly influenced its decision, although recent events have increased concerns that South Korea may become vulnerable to similar financial upheaval if it opens its capital markets as demanded by the OECD. *John Burton, Seoul*

Japanese-German space failure

A joint Japanese-German space research project ended in failure yesterday after a satellite wobbled out of orbit and apparently splashed into the Pacific Ocean shortly after its launch. It was the latest in a long series of setbacks for Japan's space efforts. The project was set up by the Institute for Space and Astronautical Science, one of Japan's two space agencies, and Dara, the German space agency. *AP, Tokyo*

China executes businesswoman

South China's Guizhou province executed a government businesswoman yesterday for embezzling and illegally lending public money, state radio and television reported. The Supreme People's Court upheld the death penalty against Ms Yan Jianhong, chairwoman of the Guizhou International Trust and Investment Corporation. Ms Yan was found to have embezzled Yn650,000 (£49,200) and $14,000 (£8,970) from her corporation over an eight-month period and to have dipped freely into public coffers, lending Yn2m illegally to associates and taking Yn150,000 for herself. *Reuter, Beijing*

Threat to Indian polls lifted

India's chief election commissioner, Mr T N Seshan, yesterday backed off from a threat to cancel March elections in Bihar and Orissa states because the governments there could not issue photo identity cards to voters in time. Mr Seshan yesterday told the Supreme Court he would be satisfied if cards were issued by September. *Shiraz Sidhva, New Delhi*

■ Malaysia's inflation for 1994 rose to 3.7 per cent from 3.6 per cent in 1993, the country's statistics department said. *Reuter, Kuala Lumpur*

■ Hong Kong's index of industrial production increased 0.5 per cent in the third quarter of 1994, census and statistics department data showed. *Reuter, Hong Kong*

Guerrillas now face jail terms

Amnesty runs out for Khmer Rouge

By Jonathan Miller in Phnom Penh

With the expiry of a six-month government amnesty last weekend, Khmer Rouge guerrillas in Cambodia face criminal prosecution and long jail terms if they are captured. But although rebel forces rushed to switch sides in advance of the deadline, few predict the imminent demise of the Khmer Rouge.

The country's leaders have been making political capital from the spate of defections from rebel ranks in recent weeks. They say the Khmer Rouge has been weakened as a fighting force and the government has the upper hand.

"The fact thousands of Khmer Rouge have joined the government shows our policy of national reconciliation is working," Mr Ieng Mouly, information minister, said. He ruled out an extension of the amnesty despite its apparent success. As the government tries to tempt more guerrillas back into mainstream society, it is not clear how rigorously the law will be enforced.

Large numbers of defectors were recently paraded in front of foreign journalists in the north-western province of Siem Reap. Some battle-hardened combatants appeared to be among their ranks, but diplomats speculate many are local militiamen, or farmers caught on the wrong side of the frontline.

"It's possible the Khmer Rouge are simply shifting the burden of looking after them to the government now food supplies are low," one diplomat said. Following floods and then drought, food shortages are starting to hit parts of Cambodia, including territory under Khmer Rouge control.

The guerrillas continue to disrupt life in the countryside, recently turning to increasingly violent terror. Trains have been ambushed, villages torched, people murdered and their property and food plundered. "They're back to their old tricks," said Mr Charles Twining, US ambassador to Cambodia. "There's a sense of desperation. They're no longer trying to win hearts and minds."

A Khmer Rouge soldier with radio and grenade launcher defecting with dozens of others in Siem Reap province before Sunday's deadline AP

On Sunday, gunmen killed an American woman and seriously wounded her husband as the couple toured the Angkor Wat temple complex, Cambodia's biggest tourist attraction. Their Cambodian guide also died in the attack, which an official blamed on Khmer Rouge guerrillas.

Apart from the top leadership, few Khmer Rouge are thought to be ideologically motivated. Most have been happy to get rich from the gemstone and timber trade across the border with Thailand.

The Cambodian government has long accused elements in the Thai military of involvement in this trade and of providing sanctuary and logistical support for the rebels. In face of growing international pressure, Thailand has recently tried to convince the world it is not providing a financial lifeline for the Khmer Rouge.

Judge backs 'unfair' cash ruling for Names

LLOYD'S

Pressure for an overall out-of-court settlement to the legal actions brought against Lloyd's insurance market by loss-making Names was stepped up yesterday after a High Court judge ruled that compensation won in court should be paid on a "first come, first served" basis, write **John Mason, Law Courts Correspondent, and Jim Kelly, Accountancy Correspondent.**

Although widely expected, the judgment came as a disappointment to Names (individuals whose personal wealth supports the market) whose cases are not due to be heard for several years.

While the total damages claimed by Names - 20 per cent of whom are resident outside the UK - exceeds £3bn it is thought that the amount of insurance cover available to meet awards might be only some £1bn ($1.56bn). Names suing Lloyd's agents for negligence who are at the end of the legal queue could, therefore, find there is no money to meet successful claims.

Mr Roger Pascall, administrative director of the Association of Lloyd's Names, said the judgment was potentially "divisive.. I think this imposes pressure on all sides. If you are an action group at the back of the queue you would be concerned about a disappearing asset," he said.

Mr Peter Middleton, chief executive of Lloyd's, said the judgment "in no way diminishes" the case for a settlement.

"It is in the interests of all parties and Lloyd's as a whole to reach such a settlement," he said. Lloyd's would still try to find a solution "acceptable to everyone", he continued.

Lloyd's is likely to be keen to avoid a series of interim payments from the market's insurers to loss-making Names who might, in some cases, be reluctant to pay their debts to the market.

Giving judgment, Mr Justice Phillips, the judge in charge of the Gooda Walker and Feltrim trials, the first two cases to go to court, rejected pleas by some Names involved in other cases for a fairer solution.

Mr Justice Phillips agreed that the current "first past the post" system was "unfair" but ruled that delay would be impractical and legally unjustifiable.

The judge also ruled that Lloyd's insurers must make an interim payment to Gooda Walker Names who have claimed damages that could total £504m - a sum disputed by the insurers.

A hearing on the interim payment will take place on February 6. Mr Justice Phillips also ruled that the insurers are liable to pay interest on damages claims. In the Gooda Walker case, this could total an extra £80m.

■ Governor's objective is 'sustainable expansion' ■ Chancellor is warned over tax cuts

Central bank cautious on rates

By Peter Norman, Economics Editor

Mr Eddie George, governor of the Bank of England (the UK central bank), indicated yesterday that he sees no need at present for a further rise in interest rates.

He said at a meeting of the Chartered Institute of Bankers in Scotland: "I cannot in all honesty tell you whether or when policy will need to be tightened further."

Last year's two 0.5 percentage point increases in bank base rates to 6.25 per cent were a "measured tightening" of monetary policy "to try and ensure that the early and limited signs of a pick up in inflation that we have seen so far do not intensify", he said. "We introduced that policy tightening precisely in order to avoid having to jerk up interest rates later."

Mr George reminded his audience that the Bank would not take risks with inflation. But in remarks that suggested he would adopt a neutral stance on interest rates in his February 2 monetary meeting with Mr Kenneth Clarke, chancellor of the exchequer, the governor added: "Our objective is to ensure that the expansion continues at a sustainable pace - we are not, as some people seem to imagine, hell-bent on bringing it to a halt".

The governor said retail price inflation would probably be a bit higher for a few months because of the timing of indirect tax changes. But trends in underlying inflation beyond that would depend on how the economy develops and "largely on the decisions we all take as producers and consumers, employers and employees".

Mr George said UK monetary policy "might be described as a stitch in time to save nine". Although last year's rise in interest rates had triggered fears that rates might rise to past levels, there was "on all the information available" to the Bank "no reason to suppose that this need be the case". In the late 1980s, UK base rates rose to 15 per cent.

He said last year's rate increases were justified because there was clear direct evidence last Autumn of price pressures at the early stage of the production-distribution chain.

● A committee of MPs yesterday warned Mr Clarke not to risk cutting taxes for political gain when the economy might be in danger of overheating. The Treasury and Civil Service committee of the House of Commons said the chancellor had been right to introduce a broadly "neutral" Budget last November that neither boosted nor reduced the amount of demand in the economy. But it said he should be cautious in future about the amount of spare capacity the economy possessed.

Employment secretary Michael Portillo yesterday visited the Nissan car factory in Sunderland, north-east England. Since starting production in 1986, the plant has grown to become the third-largest manufacturing unit in the northern region of England, employing 4,250 people

Exports, domestic sales and capital investment all rose in north-west England in the fourth quarter of last year, says a survey of almost 1,300 businesses by the region's 12 chambers of commerce, our Northern Correspondent writes. But companies are increasingly worried about rises in interest charges and raw material costs. The chambers warned of a "serious risk" that rising costs will have a damaging impact on inflation if demand remains strong in the UK economy. The chambers also found new jobs in growing small and medium-sized businesses more than offset by continuing labour shedding at big companies. Recovery from the recession appears to be slow and steady, with capacity utilisation edging up.

PM tells Tories not to rely on economic upturn

By Kevin Brown, Political Correspondent

Mr John Major yesterday signalled the start of another Conservative attempt to fight back from the prospect of political oblivion with a warning to his ministers not to count on economic recovery to deliver a fifth term in government.

The prime minister told journalists he had told cabinet ministers to consult widely and think "boldly and imaginatively" about policies "for government in the new millennium".

Shrugging off recent opinion polls putting Labour support more than 40 percentage points ahead of the government, he insisted that the benefits of "uncomfortable" policies such as tax increases were beginning to flow through.

But he issued a clear warning to the Tories' divided parliamentary troops that "in around two years, maybe a little more, perhaps a little less, we are going to have to persuade the public once again to entrust us with government.

"After 17 years I do not believe anyone should be complacent about the size of that task. No party has the divine right to govern and no one should expect a bouncy economy alone to ensure election success."

In a confident and relaxed session lasting more than 40 minutes, the prime minister ridiculed Mr Tony Blair's attempts to modernise the Labour party, offered fresh assurances to unionists on the future of Northern Ireland, and strongly defended his plans for railway privatisation.

He launched a fierce attack on the dangers posed to both Scotland and the UK by Labour's devolution proposals, and accused Mr Blair of paying "Danegeld" to the trade unions in return for support in his battle with left-wing MPs.

Dismissing fears that tensions over Europe could cost the Conservatives the next election, Mr Major claimed the party was on the "road to unity" as the government prepares for next year's intergovernmental conference on EU integration.

Signalling the government's determination not to allow other EU countries to force the pace, Mr Major gave the clearest indication yet that he will veto any attempt to increase the pace of European integration.

"I am not in the business of going there with heavy boots to be difficult," he said. But he added: "If I do not believe it is in the interests of the UK or in the interests of the wider European cause, then I will emphatically say so, and I will emphatically say no."

Editorial Comment, Page 13

Premier speaks of 'Quebec' in Scotland

By James Blitz at Westminster

The opposition Labour party's proposal to offer devolution to Scotland and Wales was attacked yesterday from both sides of the political divide amid growing signs that the issue will be significant at the next general election.

Mr John Major, the prime minister, argued that the proposals would damage Scotland and turn it into an area akin to "Quebec of Canada".

He claimed at a press conference at 10 Downing Street that Labour was putting forward the proposals only to head off a growing challenge by the Scottish National Party, which seeks independence. He also said Labour's plans for English regional assemblies would create a new and unnecessary layer of bureaucracy.

"There's no demand for regional government all over England," the prime minister said. "There's no demand for an extra tier of bureaucracy." Mr Major's attack comes amid indications that Conservatives regard Labour's stance on devolution as a source of potential difficulty for Mr Tony Blair, the new Labour leader.

That belief was strengthened yesterday by a powerful attack on Labour's plans from within its own ranks, as two MPs argued that devolution would upset English voters and damage the party's chances of taking power.

Mr Tam Dalyell, Labour MP for the Scottish constituency of Linlithgow, ignored pleas from within the party not to attack the devolution plans, arguing that they were "election-losing nonsense".

He warned that the issue could prove an "enormous vote-loser" for Labour in English marginal constituencies, adding: "The English won't stomach it. It is fundamentally flawed and wrong." A similar broadside was fired by a Welsh Labour MP - Mr Llew Smith, the member for Blaenau Gwent - who argued that a Welsh assembly would lead to the break-up of the United Kingdom and damage the Labour party.

Ministers face censure on arms for Iraq

By Jimmy Burns

Several serving and former British ministers and a number of Whitehall officials are expected to be criticised in sections of a draft report about to be circulated by the inquiry into arms sales to Iraq.

A spokesman for the inquiry confirmed yesterday that the second part of the report, by the investigating judge Sir Richard Scott, would be sent out in sections to individual witnesses "within the next week".

The second part, written as a narrative of the conduct of British policy towards Iraq in the 1980s, will show the extent to which ministers and officials breached their own guidelines by approving the export of machine tools to Iraq, knowing they were going to be used for munitions manufacture.

The judge has also identified the extent to which ministers and officials approved of the exports of arms to countries such as Jordan and Saudi Arabia after ignoring information that these countries were being used as diversionary routes to Iraq.

Serving ministers potentially in the firing line as a result of the arms-for-Iraq inquiry are thought to include Mr William Waldegrave, the minister of agriculture, who served at the Foreign Office between 1988-1990.

Also vulnerable is Sir Nicholas Lyell, the attorney-general, the minister most directly responsible for the overall conduct of the Matrix Churchill case which sparked off the inquiry in November 1992.

During the trial of the three executives of the Matrix Churchill machine tool company on charges of breaching export regulations it was revealed that one of the executives was working for British intelligence, after which the trial was aborted.

The judge is planning to publish his final report early in May, soon after the parliamentary Easter recess. Witnesses criticised in the report will be given a deadline within which to reply to criticism.

A first part of the report already circulated to the government and the opposition parties criticises as "totalitarian in concept and in effect" export regulations, which date back to the second world war.

Unions demand EU-style rights in workplaces

By Robert Taylor, Employment Editor

All employees should be entitled to legal rights of workplace representation, say radical proposals published yesterday by the Trades Union Congress. It called for a new system of UK labour law in line with European Union practice.

Mr John Monks, TUC general secretary, claimed that there was overwhelming public support for the right of employees to have union representation. "It is hard to find anyone outside the ranks of government MPs who does not support the basic civil right for an employee to be represented by a trade union if they wish," he said.

Ms Harriet Harman, the opposition Labour party's shadow employment secretary, gave the TUC's detailed report a cautious welcome as "a welcome contribution to the process of attempting to deal with the issue of fairness at work".

The TUC has called for:

● The right of all employees, whether in unions or not, to representation when trying to enforce statutory rights in areas such as grievances and disciplinary procedures.

● Workers to have the legal right to choose whether to be represented by a union.

● The legal right of a union to recognition for bargaining purposes from an employer where there is clear employee support for such a demand. Employers refusing to co-operate should be subject to fines and injunctions, and workers refused these rights would be entitled to potentially unlimited cash compensation.

● A public agency with an investigatory and conciliatory role to deal with contested claims of union recognition under a legal code of practice, operating "under clear criteria on issues such as the definition of the bargaining unit and appropriateness of the union."

● "Proper legal protections" for trade unionists against discrimination by employers, allowing union officials to "carry out their job of looking after the interests of people at work".

The TUC says that in the UK, "when citizens enter the workplace they leave their democratic rights at the door.

UB deal, Page 12

Goldman to shed 150 London staff

By Nicholas Denton

Goldman Sachs, the US investment bank, plans to make 150 of its London staff redundant in a step which shows the pace of job cuts in the City quickening.

A far-reaching worldwide review of costs at the investment banking partnership began last month at the start of Goldman's financial year and will conclude at the end of this week.

London is expected to be subject to the same scaling back of about 10 per cent that will result in 900 layoffs worldwide. Dismissals have begun and are expected to continue until early in February.

The wave of job cuts this month comes after it emerged that Goldman's earnings fell 80 per cent to about $500m in 1994 after an earlier 5 per cent reduction in staff.

Goldman's move takes the number of disclosed job losses in the City to over 500 since the bond market slumped in the first quarter of 1994.

In addition, CS First Boston, the US-Swiss house, is understood to be considering a reduction in staff of 4 to 5 per cent internationally, although London is expected to come through relatively unscathed. Nomura International, JP Morgan and other Japanese and US houses are also looking at measures to reduce costs.

Investment bankers said the true level of job losses was considerably higher because investment banks had become adept at disguising the depth of cuts.

UK NEWS DIGEST

M&S chief to head probe into executive pay

Sir Richard Greenbury, chairman and chief executive of the Marks & Spencer retail chain, is to chair the group created to design a code of practice for companies on executive pay. The UK's main business organisations, including the Stock Exchange, as well as several prominent industrialists have agreed to become members. Top of the group's agenda will be improving the disclosure of details of directors' pay to shareholders as well as specific remuneration issues such as share options and lengths of executives' contracts. The effectiveness of remuneration committees in setting boardroom pay will also be examined.

The group's formation follows controversy over awards to executives, particularly in privatised companies. For example, Mr Cedric Brown, chief executive of British Gas, recently received a pay rise of 75 per cent which took his basic salary to £475,000 ($740,000). Mr John Major, the prime minister, welcomed the group's formation and virtually ruled out any prospect that his government would legislate to curb salary rises in the private sector. *James Blitz and William Lewis*

Station urged on Channel line

MPs urged the government to ensure that the proposed new Channel tunnel rail link between London and Paris serves a station at Stratford in east London. Mr Brian Mawhinney, the transport secretary, refused said only that a station at Stratford remained a possibility. Mr Michael Meacher, the opposition Labour party's shadow transport secretary, said Stratford could be a main dispersal point for the City of London. Mr Mawhinney confirmed that the new line, enabling passengers to reach the Channel tunnel from London St Pancras as well as Waterloo, could cut journey times from Paris to London by 30 minutes to 2½ hours.
Ivor Owen, Parliamentary Correspondent

Rolls-Royce offshoot is fined

A Rolls-Royce subsidiary was fined £15,000 ($23,400) with £370 costs for haphazard clearance of dangerous asbestos from a factory site. The prosecution said millions of sharp asbestos fibres were scattered by the "widespread contamination".

Rolls-Royce Nuclear Engineering Services admitted failing to ensure the health and safety of people not in its employment. The prosecution at Wolverhampton in the English Midlands said two men were allowed illegally to remove redundant pipework insulated in brown asbestos. The stripped asbestos went "everywhere" and the men were working in uncontrolled conditions.

When R-R learned what was happening it stopped the two men and hired licensed contractors. The defence said it had been a case of "human error". *PA News*

Receiver sells car manufacturer

Reliant Motors, maker of the three-wheeled Robin and the Scimitar sports car, has been bought from the receiver by Avonex (Engineers), a privately-owned aerospace components company. The price was not disclosed.

Reliant, which last November was introducing overtime to cope with rising demand, was caught in the financial collapse of Beans Engineering, then its parent company. Avonex acquires a company where production has sagged since receivership from 30 Robins and five Scimitars a week to eight Robins and one Scimitar.
Paul Cheeseright, Midlands Correspondent

Heathrow reaches record

Passenger numbers at the biggest airports in the UK rose to records last year, said BAA, the airports' operator. More than 51m people, a rise of almost 8 per cent on 1993, passed through London Heathrow, giving the airport its busiest year. Numbers at London Gatwick were up almost 5 per cent at more than 21m, but just below the record achieved at the airport in 1989.

London Stansted was up 22 per cent on 1993 with a record 3.2m passengers. The seven airports run by BAA, formerly the British Airports Authority, handled a record 86.8m passengers, an increase of 7.4 per cent on 1993. Southampton near the south coast of England (470,000) was 13.4 per cent up. Glasgow (5.4m) 8.8 per cent up and Edinburgh (3.0m) rose 10.3 per cent. Aberdeen in north-east Scotland dropped 5.5 per cent to 2.1m. *PA News*

Europe's busiest airports (1993)

	Number of passengers
London Heathrow	48m
Frankfurt	32.5m
Paris Charles de Gaulle	26.1m
Paris Orly	25.4m
Amsterdam	21.3m
London Gatwick	20.2m

Amerada Hess to drill soon

Amerada Hess, the US oil company, unveiled an ambitious drilling programme over the next year in the UK's newest offshore oil province west of the Shetland Islands in northern Scotland. The company says it will drill between seven and 10 wells in its exploration blocks this year. These will include new exploration wells as well as ones which will appraise existing finds. Only about 100 wells have so far been drilled in the whole west-of-Shetland area over recent years.
Robert Corzine, Resources Staff

FIGHT AGAINST FRAUD: The Universities and Colleges Admissions Service has been given a government grant of £120,000 ($187,000) to combat fraud in claims for state grants for students. The grant will include a contribution to the costs of improved computer software. 700 cases of grant fraud totalling about £1.3m were detected in the academic year 1993-94.

STORM DAMAGE: Gales of up to 130kph severely disrupted transport in central Scotland, felling trees and blowing slates off roofs. Ferry services on the River Clyde were disrupted and drivers of high-sided and light vehicles were advised not to cross the Forth Road Bridge north of Edinburgh.

Weather, Page 14

Smooth connection to China for big telecoms companies

Guy de Jonquières on why ministers are ready to offer £1bn on guarantees in Wuhan

The British government believes it has struck a potential goldmine for UK telecommunications manufacturers more than 1,500km up China's Yangtse river - and it is ready to commit as much as £1bn ($1.56bn) to help them exploit it.

That is the amount the Export Credit Guarantee Department has agreed in principle to offer over five years in guarantees to British companies seeking contracts to provide the central Chinese city of Wuhan with a new telecommunications network.

Even by the standards of some recent foreign investment projects in China, this is a big sum for a single package of projects in one city. "It is rather unusual," the ECGD said yesterday, "But Wuhan is a very large conurbation."

Medium- and long-term export credits extended to Hong Kong and China by all industrialised countries totalled a record £3bn in 1993, according to the Organisation for Economic Co-operation and Development. The ECGD's outstanding exposure to China is about £1.5bn.

The proposed guarantees for Wuhan - which would underwrite eventual commercial bank financing - are also a vote of official confidence that Britain can surmount strains in its commercial relationships with Beijing caused by disagreements over political arrangements in Hong Kong.

Last October Mr Richard Needham, the trade minister, cancelled a planned trip to three Chinese provinces after being told by Bejing that the visit was "inopportune".

The incident did not stop officials in Wuhan, China's fifth-biggest city, signing a memorandum of understanding that month with a trade mission led by Mr Derek Marsh, a Department of Trade and Industry official.

The memorandum is believed to consist largely of outline proposals, a letter of intent on export credits and an agreement to talk further. No contracts have been signed, though Mr Marsh and company representatives are expected to return to Wuhan in a few weeks to try to initiate substantive negotiations.

None of the companies would talk in detail about the project. They include UK subsidiaries of Canada's Northern Telecom and Italy's Pirelli, as well as GPT, a joint venture between GEC of the UK and Siemens of Germany which last year won a £40m contract for a cable link between Wuhan and Chongqing.

DTI officials say the potential business is vast. "Wuhan's telecommunications facilities are like Britain's in the 1960s," said one. "Its needs include payphones, mobile telephones, fibre optic cables and digital telephone exchanges." He said there could be opportunities later for ventures in water and car manufacturing. The size of the ECGD guarantees on offer was influenced by the belief that UK companies are alone in seriously prospecting Wuhan, while most international competitors continue to concentrate on coastal cities such as Shanghai. The offer was kept quiet at the time so as not to attract attention from foreign rivals.

A breakthrough in Wuhan would provide a much needed boost for British telecommunications manufacturers. They have long had a weak export record, except in fibre optic cables, though the industry has been strengthened by acquisitions and investments by companies such as Northern Telecom and Siemens.

DTI officials say they may extend the government-backed package-deal approach pioneered in Wuhan to other Chinese cities.

The ECGD does not publish limits set for individual countries. It said yesterday it would have no problem providing cover for the Wuhan project - limited to annual tranches of £200m - though one official said the exercise could push guarantees to China close to their annual limit.

Additional reporting by Alan Cane

TECHNOLOGY

David Traherne examines a new method of distributing benefits

Welfare goes electronic

In the next few weeks a system designed to change radically the way US welfare benefits are distributed begins in Texas.

The electronic benefits transfer (EBT) programme eliminates the need for paper foodstamps given out in the US as part of the welfare payments programme. Instead, eligible recipients are allowed to buy approved items from authorised stores using a magnetic card which debits directly from a dedicated account.

There are only a small number of programmes currently operating in the US distributing a limited number of benefits, but a technology task force set up by Vice-President Al Gore aims to develop broader-based EBT systems across the country during the next five years.

Replacing foodstamps with an electronic debit card is expected to bring substantial cost savings, says Chuck Adams, a public information director for the Texas Department of Human Services. Foodstamps, for example, are printed, used once and thrown away, he points out.

The EBT programme also aims to reduce the instances of theft and fraud. "Foodstamps are sometimes cashed in to third parties at below their true value in return for cash or traded for illegal drugs," he says.

The Texas EBT programme is run by Transactive Corporation, the Austin-based, wholly-owned subsidiary of GTech Corporation which specialises in supplying computer systems for government-authorised lotteries. GTech is also a partner in Camelot, the consortium running the UK National Lottery.

Citibank and Deluxe Data, the financial services company, run schemes in other US states. Transactive is being paid $200m (£128m) to distribute foodstamp benefits and Aid for Families with Dependent Children (AFDC) in Texas for the next seven years. The company is also supplying the equipment which includes point-of-sale terminals.

"The EBT technology we're using in Texas is similar to systems used for commercial credit cards," explains Robert Hinkle, Transactive's marketing director. Transactive opens an "account" on its database for each person on the EBT programme. The recipient then receives a magnetic card and a personal identification number and can visit participating stores and either make an approved purchase in the case of foodstamp benefit (newspapers, for example, cannot be acquired this way) or draw money from the cashier in the case of AFDC.

The recipient enters either a four- or six-digit Pin and the store assistant swipes the card which debits immediately the relevant account at Transactive's headquarters.

A record of the transaction is available on a receipt. The retailer's account is credited, usually that day, by the same amount.

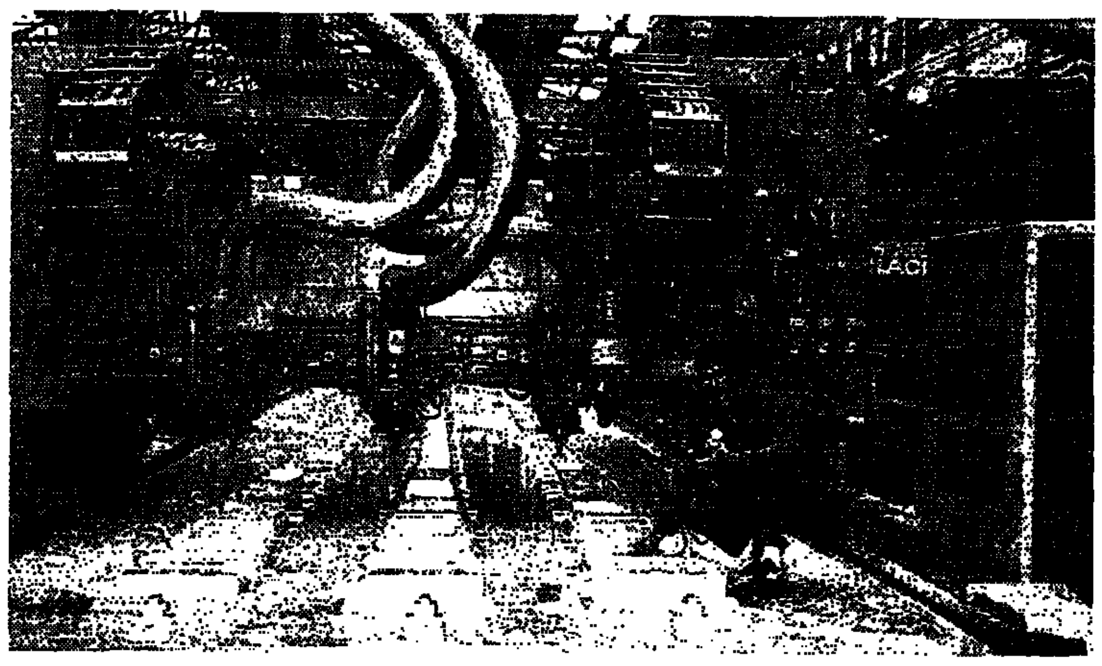
While claiming benefit the recipient's account is credited with new funds each month. Following a short pilot scheme the programme is about to roll across the state, until 16,000 stores are online serving the 2.79m people in Texas who currently receive the annual equivalent of $2.32bn in foodstamp benefit and the 751,000 people who receive a total each year of $544m in AFDC. The project works on a three-way link-up between the state authorities, Transactive and the retailers.

Adams thinks the EBT programme will also bring social benefits. "In the case of AFDC by enabling people to use a card to make cash withdrawals from stores instead of giving them one cheque which they have to cash, we are helping people budget their spending."

Hinkle points to other areas where government-related business is being developed. In Oregon, the company distributes hunting and fishing licences. Terminals linked to the state's Parks and Wildlife Department are located in convenience stores. And in New York State, Transactive last November won a contract to provide equipment and services for the production and issue of statewide, tamper-resistant, common benefit identification cards for the Department of Social Services.

Push and pull on the shopfloor

Andrew Baxter reports on a system that has reduced BAe's inventory and increased productivity



More than 50 years ago, A.V. Roe, the now defunct aircraft maker, was rolling out as many as 47 Lancaster bombers every week from its Chadderton factory near Manchester.

The company and site are now part of British Aerospace Regional Aircraft. It is steeped in aircraft history, but in the modern, competitive and rapidly changing global market, past success counts for nothing. At Chadderton, radical changes have been taking place in the past two years.

On the one hand, it is a classic exercise in business reorganisation to allow teamwork to replace the traditional lines of demarcation between departments. But the company is also addressing a central problem that may be familiar to many manufacturers – a growing awareness that their computer system, far from supporting the business, may even be holding it back.

Over the years British Aerospace had put together a centralised, corporate computer system called the Overall Business Architecture. The OBA is a massive array of individual software applications serving each functional requirement of the business from personnel management to manufacturing and the sales ledger.

"The OBA has been a disaster for BAe," says Allan Sutcliffe, head of total quality and process engineering at Chadderton. "We recognised this two to three years ago. The system was very unwieldy and was trying to be all things to all men. We had to rid ourselves of central planning based on a mainframe, with armies of planners."

The solution adopted fits squarely into the trend away from the mainframe computer to PC-based local area network systems. But it is more than that: Sutcliffe sees it as an essential element in the business reorganisation, which is trying to give "ownership" back to the business units, to devolve responsibilities and simplify processes.

On top of that, the new approach has avoided a frequent mistake made by industry in its use of computers, which is to assume that all parts of the process would benefit from computerisation.

Instead, there is a kind of push-pull arrangement: planning is covered by an MRPII (Manufacturing Resources Planning) – providing the push – while execution is handled by a non-computerised, just-in-time Japanese-style system which includes *kanban*, the widely-used system for "pulling" products through the production process through cards which indicate when a department needs to be supplied by the one before it in the chain.

As a pilot scheme, the former Airbus Customer Supply Operation (CSO) was chosen as the most appropriate place to start. It is primarily a manufacturing centre of components for many customers, both internal and external, and it had a problem – failure to produce Airbus undercarriage parts on time.

A team led by Austin Giles, who was then the CSO's operations manager but is now manufacturing engineering manager for the entire site, was responsible for implementing the new system. After consultations with other sites, they started with a list of 70 possible suppliers of MRPII systems. A rigorous process of winnowing out the also-rans produced a decision to give a contract to UK-based Fourth Shift.

The £90,000 contract, clinched in late 1992, was a big order in its own right for the Sussex company, and has led to about £110,000 of further work in four other areas at BAe.

But Fourth Shift had to work hard for its money. Giles wanted a 10-week implementation period, beginning at the New Year.

The timescale was almost unprecedented for a project of this size, involving a business with turnover of £5.5m and 750 part numbers. It required a big commitment to training, to inputting accurate data to the new system – often manually to ensure accuracy – and co-operation between client and customer.

At one stage, when it became clear that the team was trying to run before it could walk, Fourth Shift recognised the need for additional help and brought in an expert from a US client company to bring the project back on track.

Giles sees a number of important benefits from the new Fourth Shift MRPII system, using PC-Lan client/server technology.

With the OBA any significant change to an order meant a major re-run of the manufacturing resource planning system at the weekend, he says. But with more control and data ownership, changes can be made immediately and "what-if" scenarios carried out in real-time.

Within only a few weeks, inventory had been reduced by £200,000 and lead times were cut, as the old OBA system which automatically applied prescribed times to different operations was replaced by a flexible system based on experience.

Important gains were made in controlling the order book, says Giles: beforehand, the unit would often have to remake a part if the customer said it had not received it. Now a team member can check all the documentation and deflect the query back to the customer, which will invariably find the missing part in its stores.

Because the Airbus CSO has implemented its own PC-based Lan system, it was also selected as the ideal site to introduce the Kawasaki Production System on the shopfloor. Its introduction was the result of another of Giles's 10-week blitzes.

Behind it lies his view that the MRPII system is fine for planning, but less effective in the execution of an order, where a just-in-time approach using *kanban* can respond better to shopfloor events such as machine breakdowns.

BAe has a licence to use KPS, and an adapted version was introduced. Importantly, it has proved a good fit with the Fourth Shift system and the combination of the two has yielded significant business benefits, with both contributing to reductions in inventory, work in progress and productivity.

Making space work

Researchers at University College London have developed "intelligent" computer techniques to analyse the design and use of space in cities and towns.

The techniques are being applied in London, and in cities in the US, South America and elsewhere in Europe.

Line maps are fed into the computer, which calculates the minimum number of lines that must be crossed to make a journey from any one point in a city to another. This produces a picture of accessibility of space and of the amount of movement of people and vehicles.

"It is a mathematical calculation of the inter-relationship of each space with every other one – how space as a whole works," says Bill Hillier, professor of architecture and urban morphology at UCL.

"In designing a new area you need to build into it the natural movements of the area so that a new development fits in," says Hillier. "There are some spaces where nobody goes unless they have to, and there is a great deal of unused space that becomes vandalised and exploited."

Computer analysis should help planners to understand why some spaces work badly and others well. They should help to show where shops or community centres should be built if they are to work as an integral part of a city space.

Crime can be tracked, says Hillier, to examine "whether there is any special reason why you are more likely to be mugged or burgled in a particular place".

The UCL project, which is funded mainly by the Engineering and Physical Sciences Research Council, has built a network of users. Hillier says large developers have been quick to take up the technology, which the UCL team licenses under supervision.

Projects under way include an assessment of the area which will house the UK's new Tate Gallery of Modern Art on the south bank of the Thames.

Sheila Jones

LEGAL NOTICES

HOWDEN GROUP PLC

A PETITION having been presented to the Court of Session on 10th January 1995 by Howden Group plc a company incorporated under the Companies Acts and having its Registered Office at Old Govan Road, Renfrew, PA4 8XJ for Confirmation of Cancellation of Share Premium Account, the Court pronounced the undernoted Interlocutor on Thursday 12th January 1995.

Edinburgh 12th January 1995

The Lords appoint the Petition to be intimated on the Walls of Court in common form and to be advertised once in each of the Edinburgh Gazette, the Herald, the Scotsman and the Financial Times newspapers; appoint all parties claiming interest to lodge Answers thereto, if so advised, within 21 days after intimation and advertisement.

Sgd. J A D Hope

all of which intimation is hereby given.

Maclay Murray & Spens

Solicitors for Petitioners, 3 Glenfinlas Street, Edinburgh.

INTERNATIONAL PEOPLE

Recent senior job moves

■ Michelle S Godfrey and Betsy Butrill White, senior vice presidents of the **Federal Reserve Bank of New York**. Ms Godfrey will be in charge of central bank services which is the liaison between foreign central banks and the Federal Reserve. Ms White will continue to head market surveillance in the US government securities markets.

■ Abdulmohsen Y Al-Humaif, chairman of **Arab Banking Corporation**, a Bahrain-based international bank, to chair the executive management committee following the death of Khalifa M Al-Muhairy, the deputy chairman on December 25. Ahmed Abdullatif, the new chief executive, will be deputy chairman of the committee.

■ Ronald W Osborne, chief financial officer of **BCE**, Canada's largest telecommunications company. Osborne, former chief executive of Maclean Hunter, will become chairman of **Tele-Direct (Publications)**, a BCE Directories subsidiary.

■ Dr David Lawrence, 54, chairman of Kaiser Foundation Health Plan, a director of **Pacific Gas and Electric Company**.

■ Rodolfo A Ruiz, 46, chief executive of **Bacardi Imports**, the US arm of the privately held Bacardi Ltd which makes Bacardi Rum and Martini & Rossi Vermouth. Cuban-born Ruiz was chief operating officer of Bacardi Imports and replaces Juan Grau, 67, who retires after 45 years.

■ R Graham Whaling has left First Boston's corporate finance team to be chief financial officer of Houston-based **Santa Fe Energy**.

■ Kevin Brady, vice president sales and marketing at **Liebert Europe**, makers of precision air conditioning and environmental control equipment.

■ Gerald Corrigan, 53, former chief executive of the Federal Reserve Bank of New York, a director of **Alexander & Alexander Services**. Corrigan is chairman, international advisers, Goldman Sachs. Ronald A Iles, 59, chairman of Alexander Howden Group and a senior vice president of A&A, has also joined the A&A board.

■ Christian Betbeder, 53, and Francisco de Miguel, 50, executive directors of **Royal Packaging Industries Van Leer BV**. French born Betbeder will concentrate on Van Leer's consumer packaging activities and de Miguel, a Spanish national, will focus his attention on Van Leer's industrial packaging. G G R Basley retires as an executive director at the end of March 1995.

■ Jan Astrand, 47, chief executive of **Hertz Leasing Europe**. Swedish born Astrand was chief financial officer of Commodore International before joining Hertz in 1989 as chief financial officer of its operations in Europe, the Middle East and Africa.

■ William C Floersch, 50, an independent market maker, has been re-elected for a fifth one-year term as vice chairman of the **Chicago Board Options Exchange** and chairman of the executive committee.

■ Richard Burt, former US ambassador to Germany and assistant secretary of state in the Reagan Administration, chairman of **Video Lottery Technologies**, a supplier of lottery software equipment.

■ Raymond Seitz, 54, former US ambassador in London, a non-executive director of **Cable and Wireless**.

■ F L Vekemans, executive vice president human resources at **Akzo Nobel** will retire on June 1, 1995, after 36 years with the company. P J Baart will take over his role whilst remaining chairman of the board of management of Akzo Nobel Nederland.

■ *Michael Coomer* to the newly created post of general manager, group technology, at **National Australia Bank**. Coomer is currently general manager Systems Integration ISSC Australia.

■ Jean-Paul Choquel, 46, managing director of **Sema Group SA** responsible for the consulting and business software activities in France and all activities in Benelux. He was previously partner in charge of technology integration services at Andersen Consulting.

International appointments

We hope to create in these columns a comprehensive listing of senior appointments in international companies. Please fax announcements of new appointments and retirements to +44 171 873 3926; marked for International People. Set fax to 'fine'.

Parker Pen wins distribution case

EUROPEAN COURT

The European Court of First Instance last week upheld a European Commission decision rejecting a complaint against Parker Pen's group distribution policy. The Court said European Community competition rules could not apply to distribution arrangements within a group of companies, as they did not involve an agreement between two independent businesses.

The CFI confirmed the ECJ's previous rulings that the Treaty of Rome ban on restrictive practices does not apply where the agreement or practice is between companies that belong to a single group if they form an economic unit within which the subsidiary has no real freedom to determine its own market behaviour.

Parker Pen distributes its products in Europe through subsidiaries or independent distributors. Viho Europe Ltd, a Dutch office equipment wholesale importer and exporter, complained to the Commission in 1988 when Parker refused to supply it at the same prices and conditions available to Parker's subsidiaries and independent distributors.

That complaint resulted in a Commission decision, largely upheld by the CFI on appeal in 1994, condemning an agreement between Parker and Herlitz, its distributor, since it included an export ban.

In 1991, Viho complained that Parker's distribution policy, whereby it required its subsidiaries to restrict distribution to their allocated territories, infringed the competition rules.

Parker accepted that, within the group, requests for supplies from local customers were referred to the local Parker subsidiary.

The Commission took the view that Parker did not infringe the treaty ban on restrictive practices, since it satisfied the Court's conditions for concluding there was no agreement between independent economic entities.

The subsidiaries were wholly dependent on Parker, with no real autonomy in determining their business behaviour. Moreover, the assignment of a specific distribution area to each subsidiary did not exceed the limits of what can normally be regarded as necessary for the proper distribution of tasks within a group.

Viho disputed that Parker's group policy of referring inquiries could constitute a purely internal measure, since it deprived third parties of the freedom to obtain supplies from wherever they wished and obliged them to purchase exclusively from the distributor in their local market.

Viho claimed the competition rules did not allow a customer to be compelled to purchase from a particular subsidiary.

Rejecting Viho's complaint, the Commission confirmed its view that the integrated distribution system of subsidiaries set up by Parker in the European Union did not infringe the treaty ban on restrictive practices. It also found Parker was entitled to deny Viho similar prices and terms to those given to independent distributors.

Viho challenged the decision, claiming the Parker subsidiaries were independent legal entities with a degree of economic independence, confirmed by their different sales prices, warranty terms, promotion projects, packaging and distribution strategies.

It also denied that the intra-group agreements were solely intended to carry out the internal allocation of tasks. Since central control was exercised by Parker for the sole purpose of conferring absolute territorial protection and therefore to ensure the preservation of isolated national markets, there was an overriding infringement of the fundamental principles of the common market.

The CFI held the Commission had correctly classified the Parker group as one economic unit within which the subsidiaries did not enjoy real autonomy, since their distribution strategies regarding product ranges, advertising, margins, price and discounts were centrally controlled.

In the absence of agreement between economically independent entities, the Commission was right to impute the subsidiaries' conduct to the parent and conclude the ban on restrictive practices did not apply. Unilateral conduct of a group of companies could not be prohibited as discrimination.

T-102/92, Viho v Commission, CFI 1CH, January 12 1995.

BRICK COURT CHAMBERS, BRUSSELS

ARTS

Drawn to surprise through the ages

William Packer on an intriguing show in Southampton

How very strange. The morning I am set to review an exhibition which coherently brings together drawings from the most ancient times to the most recent, I read of certain colleagues grumbling that young artists these days have no interest whatsoever in the art of the past. And who has selected this admirable demonstration of trans-epochal, pancultural interest? Why, *mirabile dictu*, Michael Craig-Martin.

Not the Michael Craig-Martin, guru of Goldsmiths' College, *eminence grise* of our avant garde, guardian of the conceptual flame, trustee of the Tate? The very same.

For such a one to be found celebrating and, by inference, re-emphasising the fundamental importance of what is still the primary activity of the artist, is indeed heartening. The Arts Council, in asking him to make a show of drawings, allowed him total freedom and the reasonable decision to keep to what are essentially linear drawings, rather than of tone and mass, was his own. He then kept, he tells us, an open mind, free to accept the surprising discovery, the odd and the atypical. This unprogrammed responsiveness to the material available has continued in the hanging.

So far so good. The essential seamlessness of art is a quality that counters art-historical habit, with its schools and categories, and the myopic prejudice which holds that modernism represents a wilful break with the past. Even as single spies, this show is full of wonderful things – Picasso, Van Gogh, Matisse, Watteau, Raphael, Durer, Rembrandt, Beckmann, Grosz, Degas, Rodin, calligraphy from Persia and Japan, Mughal gouaches. But it is the fresh and stimulating, even mischievous placing of such things together that is the true point of the exercise, especially against those of more recent heroes – Baselitz, Johns, Beuys, Mangold, Paolini, Marden, Guston, Cage, Agnes Martin.

Here is a case with a Turner sketch-book opened at an extensive horizon described in barely more than a line; and beside it a line as material fact on a folding scroll by James Byars, and a line as hidden conceit in Manzoni's sealed cylinder. Guercino's rapid study of two ladies looks across at two lawyers, no less animated, by Daumier, with similarly delicate but abstract scrawls by Wols and Cage nearby. A squared-up sketch by Constable sits beside a circular Ordnance Survey tour of Somerset by Richard Long, and Harry Beck's early study for his map of the London Underground.

Damien Hirst's spirographic whorl is compared with a spiral carved upon a prehistoric mace-head. A papyrus of tabulated hyroglyphics from the Book of the Dead sits beside the regulated minimalism of Eva Hesse. The most obvious comparison of all is offered between a complex endless column by Carl André, on graph-paper, and Leonardo's puzzle-construction of hollow boxes.

But hang on – for the question, that Craig-Martin has been begging so elegantly, now declares itself. Formal and incidental comparison are all very well: actual interest and achievement are something else. A scribbled *aide memoire* by Turner served other ends. The deft descriptive expressiveness of Degas, or Rembrandt or Guercino, bespeaks, even as it disguises, long years of disciplined study and observation. To propose so lightly an equivalence of sorts between André, for example, and Leonardo, is altogether too glib.

For Craig-Martin's view is a partial view. The connections he makes are valid, so far as they go. What is missing is anything of continuing practice in that primary tradition in drawing – primary in that it is both technically enabling and imaginatively liberating – founded in the scrutiny and understanding of the visible world. So at last we come to that old question of life drawing, objective study and all that, from which it follows that a drawing may be right or wrong, beautiful and well-done or crude and inept. It is a question of quality, standards, and the freedom to judge.

By the radical orthodoxy of this generation past, it would seem that the mere statement of idea or image is enough, and all marks functionally equivalent, whether ruled or mechanical, scribbled or scratched. The way it is done does not come into it, only the why.

To look at the Degas shown here, and the Watteau and Guercino, the Matisse and the Rembrandt, is to know that there is more to drawing than that. And Craig-Martin, I suspect, knows it too, very well. This show of his is indeed an admission of sorts, if only by the debate it now opens up. If that debate can now be engaged, away from the polarised positions he himself disavows, this intriguing exhibition will already have served a most useful purpose.

Drawing the Line: Southampton City Art Gallery until March 5, then on to Manchester, Hull and Whitechapel: a South Bank Centre National Touring Exhibition sponsored by British Telecom.

'The Two Lovers', 1953, by Fernand Léger

Obituary

Sir Alexander Gibson

There were two distinguishing features in the life of Sir Alexander Gibson, who has died after a heart attack, aged 68. The first was his unique contribution to musical institutions in Scotland, for which he received due recognition in his lifetime. The second was his unostentatious and often idiosyncratic personality, both on and off the conductor's podium, behind which lay great warmth and generosity.

When he took the risk of moving back to Glasgow in 1959 after a promising early career in London, Scottish musical life was at best provincial, at worst pedestrian. Over the following 15 years he transformed it.

He had an electrifying effect on the Scottish National Orchestra, whose standards had languished under Rankl and Swarowsky. He brought it honours in the recording studio, at the Edinburgh Festival, on foreign tour. It was exciting for everyone – that rare combination of a keen and talented young conductor, an established orchestra, a dependable source of state funding and a captive audience on which to try out interesting programmes. Today it is easy to forget how he championed new music, giving the British premieres of Stockhausen's *Gruppen* and Tippett's Fourth Symphony, and commissioning work from Scottish composers.

But his lasting memorial will be Scottish Opera, which he was instrumental in founding in 1962. He did most of the groundwork himself – writing letters, raising finance, picking casts. The result was Scotland's first permanent opera company and a string of memorable productions, including *The Ring* and the first complete performance of *Les Troyens*. All this was achieved at the expense of his international career.

His latter years at the SNO and Scottish Opera – he stayed a quarter-century with each – were full of disappointment. He found his position undermined by a new generation of administrators not always sympathetic to his viewpoint, and his performances and health suffered. After his departure, he was initially cold-shouldered by both organisations, and took time to adjust to a freelance career. Recently, however, he was back in demand at home and abroad. He was in London for recordings with the Royal Philharmonic when he died.

Gibson was an unfailingly musical conductor – not as common a breed as you might think. His successes in Sibelius and the central Romantic repertoire derived from his instinctive grasp of the music's overall shape. He had a much-maligned beat, far more communicative to those who knew him than a conventional four-in-a-bar – and Gibson could conduct clearly where necessary. Although a private man, he was a splendid raconteur and mimic, always fun to be with. Above all, he had the capacity to inspire loyalty, affection and dedication to the task in hand – not just among musicians, but in everyone who came into his orbit.

Andrew Clark

Opera/Richard Fairman

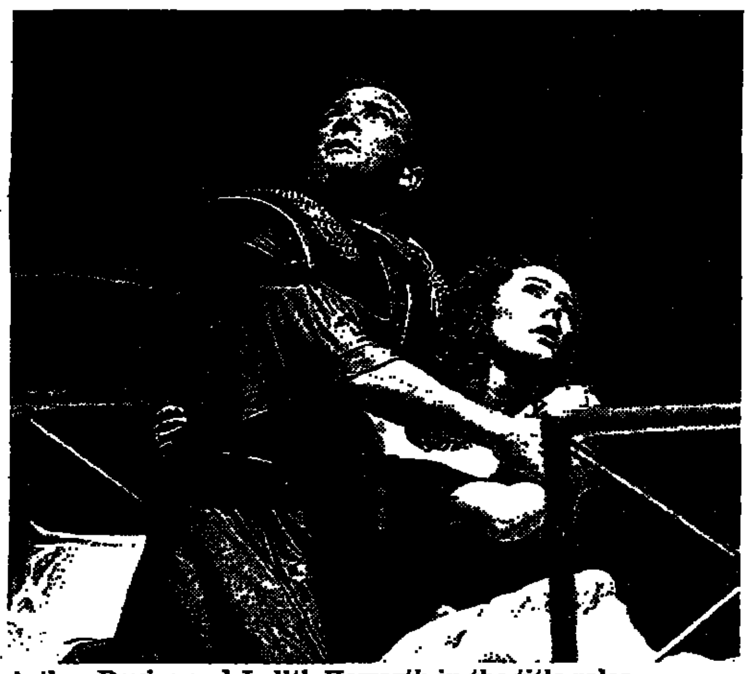
Walton's 'Troilus and Cressida'

The haunting love music from *Troilus and Cressida* lingers in the memory for ages afterwards. A solo oboe calls out over shimmering strings – the voice of sensuality raised over the barest whisper of a breeze, transporting the listener to a sultry night in the Mediterranean.

The locale is not accidental. By the time he came to write his only full-length opera William Walton was living on Ischia in a sun-drenched home surrounded by lush gardens. There, over a period of five years, he struggled with Christopher Hassall's ornate libretto to produce what is an uneven work for sure, relying too heavily on trusted operatic formulae, but one with magical pages of music which refuse to go away.

The opera has never enjoyed much success. The premiere at Covent Garden in 1954 was grudgingly received; subsequent productions in Milan, San Francisco and New York did not lead to it getting a toehold in the repertory. In 1976 Walton revised the opera for Janet Baker with Cressida as a mezzo rather than a soprano – an undervalued revival at Covent Garden which was not followed up. Now brave Opera North in Leeds is having another go.

The complaint has always been that the opera was out of date when it was written, an old-fashioned romance for yesteryear, not relevant like the socially-aware operas being composed by Britten. But in retrospect it looks as contemporary as any of them. *Troilus and Cressida* is as much a product of the 1950s as any Hollywood epic and Walton accordingly composed for it a cinemascope score on the lines of his film soundtracks. The difference now is that we can enjoy the opera for what it is and not feel guilty.



Arthur Davies and Judith Howarth in the title roles Alastair Muir

If this splendid production by Opera North cannot raise Walton's opera from an early grave, none will. Matthew Warchus and Neil Warmington, producer and designer, have not put a foot wrong in negotiating its perilous straddling of ancient and modern, of lofty tragedy and high camp. For a show conceived for a tiny stage, it looks marvellous, making imaginative use of height and depth to suggest the wide-screen epic grandeur of the music, and every scene has been brilliantly lit by Nick Chelton.

The production does not look for issues that are not there. It merely responds to the colours present in the music – deep reds or oranges glowing through a heat haze (the bed scene caused a ripple of laughter when the lovers disappeared under billowing clouds of dry ice) – and tries to lift the drama on to a higher plane. It says much for the power of the music and Warchus's direction that one genuinely felt for the doomed lovers by the end.

Opera North has prepared its own edition of the opera for this production, retaining the cuts Walton made in 1976 but returning the role of Cressida to a soprano. Judith Howarth sang her music cleanly, but had trouble cutting through the orchestra; it is ironic that she should find the soprano version too low, when Baker found the mezzo version too high. The role of Troilus was optimistically written for an operatic Charlton Heston. Arthur Davies is not that, but he did bring sensitivity and panache to it.

Among the other roles, Alan Opie was an outstanding Diomede, who declaimed every line with authority, and Yvonne Howard made her mark as the traitorous Evadne. The trickiest role is Pandarus, a model of 20th-century urban sophistication. Most tenors cosset the role with limp-wristed superciliousness but Nigel Robson played it straight and lost some of its impact. Under Richard Hickox's direction the orchestra pulsated with feverish passion, even where Walton might have preferred a cooler elegance.

Opera North will shortly be bringing this production to the Royal Opera House, which may prove too big for it. But at least the opera is on the road again.

Sponsored by the Peter Moores Foundation. Covent Garden performances January 30 and February 2; then on tour.

Concerts/David Murray

Hindemith weekend

The BBC's superbly planned mini-festival at the Barbican, "Hindemith: the Rebel" – *i.e.* the young Hindemith – concluded on Sunday with a bracing run through most of his career. In the afternoon, Markus Stenz conducted the London Sinfonietta and first-class soloists in four of the *Kammermusik* pieces, quirky sonatas for ensembles which took us from 1922 to 1927; in the evening Andrew Davis and the BBC Symphony went from the 1919 one-act opera *Mörder, Hoffnung der Frauen* to two solid works composed soon after Hindemith forsook Germany in 1938.

All the events of the weekend drew healthy audiences, of whom I should guess at least a third, even a half, were pretty constant attenders. There cannot be that many besotted Hindemithians in London; few music-lovers now have had the chance to hear much of his music. Rather, they seemed to have been attracted by the prospect of a short but intensive course in a reputedly "major" composer one vaguely felt one ought to know better.

The rewards were many and various, often unexpected. Sunday's *Kammermusik* sequence went from mordant snook-cocking (no. 1, much like Ibert's incorrigible *Divertissement*) to manic counterpoint-with-feeling (no. 2, with Joanna MacGregor finely alert at the solo piano) to the larger, richer canvases of nos. 4 and 5 (passionately led by Thomas Zehetmair's violin and Paul Silverthorne's viola): all brusquely original, nervy, open-ended.

One realised with a jolt, however, that the later Hindemith's leaden fingerprints – banks of strident wind trills, often two or three octaves deep; a forced democracy of pitch, whereby piccolo and tuba must pretend to the expressiveness of temperate-zone instruments; the trick of doubling tunes in treble and bass, perhaps to disguise the fictitiousness of the bass-line were there from the start: but freshly, pointfully used, not mere tics. As the years passed, what had seemed open windows in his music turned into dusty prop-furniture.

The 20-minute *Mörder*, on a flabbily sensational text by Kokoschka, was the earliest of Hindemith's "scandalous" trilogy of one-acters, and proved – even with a strong cast led by Gianna Rolandi – to be the weakest. Neo-Wagner and neo-Strauss were the main ingredients, whirled through a scatter-shot collage: historical interest only.

Near the other end of the Hindemith chronology, the 1939 Violin Concerto – Ulf Hoelscher's performance sounded like a very intelligent first draft, slightly fudged in details – still breathed fresh air, for all its wiry workings-out; whereas in this company the 1943 "Symphonic Metamorphoses" after Weber, probably his most-played work now, seemed grossly laboured and over-orchestrated.

Should there be in due course a festival of late Hindemith, it will need to be planned with the utmost care. I would enter an early bid for his last one-acter, *The Long Christmas Dinner* (1961, after Thornton Wilder's play), which I remember from a New Opera Company production long ago as plain, gently austere and unexpectedly moving.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● Royal Concertgebouw Orchestra: conducted by Valerie Gergiev plays Oestwolskaja and Shostakovich at 8.15 pm; Jan 18, 19

OPERA/BALLET

Het Muziektheater Tel: (020) 551 8922

● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 17, 19, 22, 24

■ BERLIN

OPERA/BALLET

Deutsche Oper Tel: (030) 341 9249

● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 17, 19

● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 18, 21 (5 pm)

● Oedipus: by Rihm. conducted by Peter Keuschnig, produced by Götz Friedrich at 7 pm; Jan 22

Staatsoper Unter den Linden Tel: (030) 2 00 4762

● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 22

■ BRUSSELS

CONCERTS

Philharmonique de Bruxelles Tel: (02) 507 84 34

● Belgian National Orchestra: with violinist Phillipe Hirshhorn and conductor Victor Liberman plays Elgar, Mendelssohn and Bartók at 8 pm; Jan 17

● Champs-Elysées Orchestra: with cellist Christophe Coin and conductor Phillipe Herreweghe plays Schumann at 8 pm; Jan 23

● Philippe Herreweghe: conducts the Orchestra des Champs-Elysées to play Schumann at 8 pm; Jan 23

■ LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● Fauré: Requiem: City of London Sinfonia conducted by Harry Christophers plays Fauré and Mozart at 7.30 pm; Jan 20

● Pierre Boulez: conducts the London Symphony Orchestra to play Stravinsky, Webern, Bartók and Boulez's own, 'Notations I-IV' at 7.30 pm; Jan 22 (3 pm), 24

● Popular Classics: with the London Concert Orchestra conducted by David Arnold. Highlights include Ravel's 'Bolero' and Strauss' 'Blue Danube Waltz' at 8 pm; Jan 21

Festival Hall Tel: (071) 928 8800

● Royal Philharmonic Orchestra: with soprano Galina Gorchakova and conductor Valery Gergiev plays Wagner at 7.45 pm; Jan 24

Queen Elizabeth Hall Tel: (071) 928 8800

● Cantabile: four man vocal harmony group performs songs of love and war at 7.45 pm; Jan 17

GALLERIES

Barbican Tel: (071) 638 8891

● Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler; from Jan 19 to May 7

British Museum Tel: (071) 636 1555

● Ancient Egypt and Contemporary Art: 12 works commissioned by the museum alongside the existing collection of ancient Egyptian relics; to Jan 19

● Byzantium: treasures of Byzantine art and culture from British collections; to Apr 23 (Not Sun)

National Portrait Tel: (071) 306 0055

● The Sitwells: the arts of the 20's and 30's through the eyes of the Sitwells; to Jan 22

Royal Academy Tel: (071) 439 7438

● The Painted Page: Italian Renaissance book illustrations from 1450-1550; to Jan 22

OPERA/BALLET

English National Opera Tel: (071) 632 8300

● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 18, 21

● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm: Jan 23

Festival Hall Tel: (071) 928 8800

● Swan Lake: by Tchaikovsky. The English National Ballet choreographed by Raissa Struchkova and supported by its Orchestra at 7.30 pm; to Jan 21 (Not Sun)

Royal Opera House Tel: (071) 340 4000

● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles at 7 pm; Jan 18, 23

● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 17, 20, 24

● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 19

THEATRE

National, Lyttelton Tel: (071) 928 2252

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 20, , 21 (2.15 pm) ,

Riverside Studios Tel: (081) 741 2251

● Hancock's Last Half Hour: by Heathcote Williams, directed by Mark Piper. Set in a Sydney rented apartment, Jim McManus relives comedian Tony Hancock's last hours at 8 pm; from Jan 19 to Feb 11 (Not Sun)

■ MADRID

CONCERTS

Fundación Juan March Tel: (91) 435 48 40/435 42 40

● Henry Purcell and Other English Composers: a series of concerts of works by English composers such as Purcell, Tallis and Gibbons at 7.30 pm; Jan 18

GALLERIES

Reina Sofia Tel: (91) 468 30 02

● Salvador Dali: the early years; to Jun 16

■ NEW YORK

GALLERIES

Guggenheim

● The Italian Metamorphosis 1943-1968: a survey of visual arts in the postwar period; to Jan 22

Museum of Modern Art Tel: (212) 708 9480

● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24

OPERA/BALLET

Metropolitan Tel: (212) 362 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 18, 21

● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 17, 21 (1.30 pm) , 24

● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 20

● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 19, 23

■ PARIS

CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● Nathalie Stutzmann: contralto and pianist Inger Södergren plays Schumann, Debussy and Tchaikovsky at 8.30 pm; Jan 17

● National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky at 8 pm; Jan 19, 24

● Soirée Beethoven: part of the 'Prades aux Champs Elysées' series featuring oboists J. Louis Capezzali and Christian Schmitt at 8.30 pm; Jan 20

● Soirée Brahms: part of the 'Prades aux Champs Elysées' series, featuring violinists Régis Pasquier and J.-Jacques Kantorow at 8.30 pm; Jan 18

● Soirée Mozart: part of the 'Prades aux Champs Elysées' featuring violinist Raphael Oleg at 8.30 pm; Jan 21

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● National Symphony Orchestra: with soprano Elizabeth Futral, mezzo-soprano Claudine Carlson and the Choral Arts Society of Washington. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 17 (7 pm)

● Washington Chamber Symphony: Stephen Simon conducts Bach and Haydn at 7.30 pm; Jan 20, 21

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 19, 21

● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 18, 20, 23 (7 pm)

WORLD SERVICE

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

UB deal sets the pace

Robert Taylor on United Biscuits' works council initiative

The recent decision by United Biscuits, the UK-owned food group, to create a consultative works council for all its employees across the European Union has taken British industry by surprise.

Under the UK opt-out from the social chapter of the Maastricht treaty negotiated in 1991 by prime minister John Major, British companies will not have to set up works councils for their UK operations.

But a growing number of large British-owned companies seem likely over the coming year to follow UB's example and negotiate information and consultation committees for their employees in their European operations – including those in the UK.

At Coats Viyella, the textile conglomerate, discussions over setting up a council have reached a delicate stage. And trade unions have tabled requests for works councils in dozens of other companies.

The works council directive comes into force in September 1996, by when it must be incorporated into the legislation of each member state. It requires companies with more than 1,000 employees in the EU and 150 in at least two member states to establish a works council for all its European employees. Companies that have failed to set up works councils by 2000 will have them imposed under European law.

The Confederation of British Industry estimates that more than 300 UK companies may eventually have to set up a works council if the UK signs the Maastrict treaty's social chapter. However, United Biscuits has decided to create a works council for its 26,000 European-based employees long before it is obliged to – with coverage extended to its UK staff.

The decision reflects hard-headed business calculation, not a sudden burst of altruism or a concession to trade union pressure, says Mr Mike Wilkinson, the company's human resources director. "We no longer regard ourselves simply as a UK company with plants abroad. We are a genuinely international business."

With operations in 28 countries and the majority of its employees outside the UK, the company believes its industrial relations strategy must no longer be shaped by its UK experience alone.

"Statutory consultation with our employees is already a way of life in our continental operations," says Mr Wilkinson. The company was determined not to exclude its British employees from the works council directive, even though it could do so as a result of the UK opt-out.

"We have a history of constructive consultation with our British workforce going back nearly 30 years," he points out.

"Consultation for us has proved to be effective in improving performance," he adds. "We have delayered our plants and restructured our business in recent years with little disruption of production because of our focus on employee communication. If people understand what we want to achieve, they are better able to see what they have to do."

The company's decision to establish a European-wide works council also reflected a determination not to have the EU legislation forced upon it. Mr Wilkinson believes the directive is too rigid, because it would impose a uniform structure for consultation.

Companies such as United Biscuits that negotiate their own forms of consultation with employees before 2000 are free to shape their work councils flexibly.

"We decided to ensure the worst of the legislation would not apply to the company," says Mr Wilkinson. "We have to frame a system that reflects the needs of each company."

"It is much better for a company and its employees to create a works council on a voluntary basis", says Mr David Williams, the officer with the GMB general union who was responsible for negotiating the deal with United Biscuits.

A further advantage for the company in establishing its own arrangements, according to Mr Wilkinson, was that it was able to avoid having to deal with many unions in different countries.

By agreement with the ECF-IUF, the Geneva-based European-wide trade union federation for the food industry, the GMB was designated as sole negotiator for all the company's employees across Europe.

Mr Wilkinson emphasises the works council agreement is with the company's employees, not the trade unions. It does not replace existing local or national collective agreements nor consultation committees already within the company.

The details of the flexible agreement were mainly drawn up by the company. These specify that the council covers overall group strategy, broad commercial issues affecting its operations, competition, raw material and branding issues as well as "relevant cross-divisional issues such as health and safety and the environment".

Under union insistence, United Biscuits agreed its employment strategy should also be included on the council's agenda.

The council will meet only once a year, "normally within one month of the announcement of the group's annual results". Its proceedings are to be "communicated as widely as possible to all employees" through a jointly-written statement circulated to all sites. All members of the council must agree not to divulge any information provided by the company on a confidential basis.

The agreement is not a legally enforceable document. But it describes the company and the unions as representing "a positive commitment by all parties to achieve the benefits of a flow of transnational information and the consultation of employees".

"Other companies are not being as far-sighted as United Biscuits," says Mr Williams. But he believes other British companies in food processing will follow suit.

Other sectors are likely to do the same. Observers in the chemical industry believe every large UK-owned company in that sector will have a works council within three years. Engineering companies such as GKN are also looking with a favourable eye at the idea.

Most will wait and see. If the United Biscuits initiative succeeds, works councils may be seen not as a burden on business but a modestly useful forum for global companies to keep all their employees abreast of the facts of life in the international economy.

The new United Biscuits works council

- UB operates in 28 countries, with 40,000 employees worldwide; 55 per cent of its sales are outside the UK.
- The works council will cover its 26,000 employees in Europe of which 20,000 are in the UK.
- The council will cover overall group commercial strategy. Under union insistence UB agreed its employment strategy should also be included on the agenda.
- The council will consist of 20 employee representatives chaired by UB's human resources director, plus further company representation with a senior executive, normally the chief executive.
- There will be seven worker representatives from UB's mainland European operations and 13 representing UK plants, 10 nominated by the trade unions with the other three representing white-collar staff.
- Four full-time trade union officials will accompany the employee representatives to the council's meeting once a year.
- Council proceedings will be "communicated as widely as possible to all employees"

Joe Rogaly

Labour's rail dilemma

Britain's Conservative government has promised a phoney privatisation of the railways. The Labour opposition has come up with the obvious answer: phoney renationalisation. Labour will win this dubious debate, at least until the next opinion poll is out, but it should take care. It could pay heavily for what may turn out to be an ephemeral victory.

Bear with me, and you will see what I mean. Forget the politicians' protestations of intent. Look at the reality. The government says that 51 per cent of passenger services will be leased to franchisees by April 1996. That may or may not happen. The undertaking was given by Mr Brian Mawhinney on December 14. On the same day, the transport secretary announced that the domestic freight businesses would be sold by the end of this year. Just three weeks later, British Rail announced a delay of six to 12 months in plans to put its Freightliner subsidiary on the market.

Against that, the terms upon which the first four franchises are to be granted will be announced in a few days, by an unheard-of gentleman in an office with unmemorable initials. If the government keeps its nerve, deals on these or similar terms will be done. Not all the 25 lines up for grabs will be quickly disposed of, but the promised greater half of them might be. The new operations will be about as far removed from genuine market disciplines as European farming under the common agricultural policy.

They will be heavily, and rightly, subsidised. They will be protected from free-ranging competitors until early in the next century. Political management of the train services is unavoidable. To take one example, Conservative supporters commute to and from London every day. Their interests will not be left to the franchisees alone to determine. Every new south of England service is a meandering line through familiar constituencies, many of them Tory, many in peril. The price of season tickets will doubtless be influenced by the size of the Tory majorities to be found on each platform in the mornings.

The big disposal will be Railtrack, which owns the infrastructure. It is the heart of the industry. Sell all of it, open and free, and you have just about privatised the railways, sort of. Fail to do so, or over-regulate it, and you have a phoney-baloney mishmash. Which is it to be? Mr Mawhinney says the government will complete the sale "in the lifetime of this parliament". His office has pencilled in spring 1996, which is possible, if the government lasts that long. There is, however, a flaw. The programme cannot be undertaken in a political vacuum. The opposition parties will try to mount a rail privatisation scare story a week.

The intensely complicated method chosen for this particular privatisation is an excellent machine for manufacturing such passengers' nightmares. We have already had the proposed sharp reduction in the number of stations offering through-ticketing, the anticipated closure of car-carrying Motorail services, and the omission of any obligation to maintain existing timetables intact. Mr Mawhinney and the prime minister oppose the cut in station sales points for through tickets, but the regulator, Mr John Swift QC, has his own view. Who is in control? Clearly not the minister, certainly not the prime minister.

Mr Swift is about to pronounce on the prices Railtrack may charge. This makes him the key player in the decision on the offer price of Railtrack shares. It will also allow for plenty of amateur arithmetic on the future course of fares. Every leaked document, every speculation, every tentative proposal will provide ammunition, in an industry that has been split into smithereens. There is one touching side-effect. A hundred public companies, which must draw up a mountain of contracts between them, will present our old friends in the legal profession with a fortune equivalent to the one their great grandfathers made from the spread of the railways in the 19th century.

As was discovered when UK water companies were sold, a sufficient number of disgruntled voters will always become happy investors

It is this bewildering prospect that lies behind Labour's insistence that it will wait to see how far the government gets before announcing its own plans. Most voters are likely to regard that as reasonable. All privatisations are to some extent gambles, but this one is the most uncertain yet envisaged. That said, Labour's puffed-up promise that when it comes to office the railways will be put back under public ownership and control is hokum. The control is always there, at least potentially. As to ownership, Labour cannot know whether it would have to buy back all of Railtrack, which it could not afford to do, or half of it, which would leave open the question of whether simply retaining the unsold portion of the issued share capital gave the government the power it needed.

What Labour could say, but has not, is how it proposes to run a railway that is manifestly inefficient under present arrangements. "I am not content with the service we have had from British Rail," the prime minister said yesterday. "I want to remove them for good from the stand-up comedian's joke book and turn them into the envy of the world." That requires private capital, restructuring into self-motivating business units, an optimum level of subsidy, and road pricing. In its fumbling way, the government is working on all four of these essential elements of a public transport strategy. Labour should tell us which it would leave out.

That is where Mr John Prescott's weekend statements about public ownership and control fall down. They tell us nothing about how a government he graced would run the trains. The deputy leader of the Labour party must assume that most voters will support him, since there is an overwhelming majority against nationalisation. Sure there is but, as was discovered when the water companies were sold, a sufficient number of disgruntled voters will always become happy investors.

The Prescott line on railways might help Mr Tony Blair win a few converts to his plan to rewrite the public ownership clause in the party constitution. They may be dearly bought. The Labour leader says that replacing Clause 4 indicates that old nationalising, union-dominated Labour is gone. His deputy implies that this does not apply to the railways, or to the transport unions that must vote on Clause 4. New Labour? Or old?

An international paper

Peter Martin explains today's changes to the FT

The changes to the international edition of the Financial Times which take effect today are in some ways merely incremental improvements to a well-established international daily. In other ways, however, they are a decisive step towards becoming, as we now say on our front page, a World Business Newspaper.

The changes in detail:

Structure. The sections into which we divide the newspaper will remain the same all over the world. Almost all the well-known elements will remain, in the same position. At the moment, there is only a true international edition on Tuesday-Friday. We will extend this to aspects of the Monday and Saturday papers.

Front page. The illustrated summary of the day's important features will in future appear below the FINANCIAL TIMES title on page 1, to ensure that the name of the paper is always visible on newsagents' display racks. The choice of news stories on the front page of the international edition will, as now, reflect the interests of our broad international readership. The summary of financial statistics at the foot of the left-hand column now contains a wider spread of market indicators.

Lex. We will increase our coverage of international companies and investment issues in Lex. In the international edition, these will take the place of items primarily of interest to UK readers, which will appear under the heading "Lex Comments" on the UK Companies news pages. All Lex items will appear in all editions.

Foreign pages. The foreign pages will be given extra space in the international edition, allowing us to provide expanded coverage of Europe, the Americas and World Trade, and a new Asia-Pacific page.

UK news pages. The UK news pages will continue to condense the day's British news.

Feature pages. The analytical and background articles in the second half of the first section have previously appeared unchanged in both editions. Readers tell us that this has created an excessively domestic feel. These pages of the international edition will no longer carry articles judged to appeal solely to UK readers. Articles about the UK of significance to readers elsewhere will continue to be published. The changes allow us to add items of specific appeal to international readers. These include:

- Europa, a weekly political-economy column written by a panel of authors (see below).
- Leading articles, written by the Financial Times team of editorial specialists, which will widen the number and range of topics on which we are able to make editorial comments.
- A Letters column which will reflect subjects of international interest. We can now arrange translation of letters written in the main international languages – though letters written in English may find their way into the paper more speedily.
- International People, a column, initially once a week on Tuesdays, that will cover international job changes.
- A more international-minded Observer column with a new daily feature, Financial Times 100 Years Ago.
- Arts page. In time, we hope to provide an international version of the Arts page, while recognising that many events in London interest readers elsewhere. For the moment, the Arts page will continue to be the same in both editions.

Companies & Markets section. We will organise this section of the paper in a more consistent way for international readers. The balance between British and international companies will be adjusted. Some UK Company News stories will be condensed or printed in tabular form, but we will continue our commitment to publishing, if only in summary, the results of all publicly quoted British companies. For those readers who wish it, we will shortly be announcing a way of receiving the full London-edition version of our UK Company News pages each morning by fax. That service is likely to be of interest only to those who cover the UK market with exceptional closeness, however, since the UK corporate developments of interest to most international readers will continue to be covered in full in the international edition.

Capital markets and currencies. We have added Israel to the main dollar and pound currency tables, and Austria, Ireland, Portugal, Spain and Sweden to the Benchmark Government Bonds table.

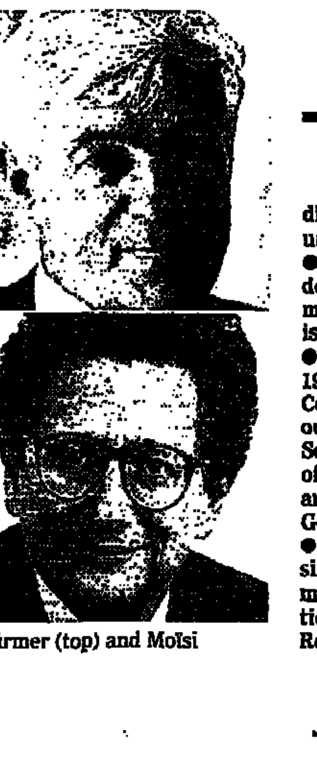
World stock listings. We are adding the key stocks from the following markets: the Czech Republic, Greece, Poland, Portugal, Turkey, Indonesia, New Zealand, South Korea, Taiwan, and Thailand. We are adding full US share price listings to the North American edition, though until early summer some readers will receive prices taken before the Wall Street close. We are now carrying more prices for key index futures contracts, including those from France, Germany, the UK, the US, Japan, Sweden and Switzerland.

London stock market. This report will be abbreviated in the international edition, though main developments and statistics will be retained.

Saturday paper. We are responding to criticism of changes to the Saturday paper, which eliminated the Finance and the Family pages from the international edition.

A Weekend Money section, condensed from the UK version, will run at the back of the second section of the international edition. In time, we will add more articles of interest to international cross-border investors; from the outset, we will restore the summaries of the week's UK market developments much missed by expatriate readers.

The Europa line-up



Stürmer (top) and Moïsi

The new Europa column on European political and economic affairs will be written by a distinguished panel of contributors including:

- Carl Bildt, leader of Sweden's Moderate party and member of parliament, Swedish prime minister 1991-94.
- Ralf Dahrendorf, since 1987 Warden of St Antony's College, Oxford. He was previously director of the London School of Economics, member of the European commission, and state secretary in the West German foreign ministry.
- Luigi Vittorio Ferraris, since 1987 head of the department for international relations at Luiss University in Rome and a judge in Italy's Council of State (supreme administrative court). He was previously Italy's ambassador to West Germany.
- Thomas Mayer, senior economist at Goldman Sachs' Frankfurt office since 1991, and a former economist at the International Monetary Fund.
- Dominique Moïsi, since 1979 deputy director of Institut Français des Relations Internationales, the French foreign policy think-tank, and a Paris university professor.
- Michael Stürmer, since 1988 director of Stiftung Wissenschaft und Politik, the foreign affairs and defence policy institute based in Ebenhausen, and a professor at Erlangen/Nuremberg University.

Ferraris (top) and Bildt

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

US copyright action in China may backfire

From Mr Steve Chiu.

Sir, If China complies with US demands to crack down on piracy, the intellectual rights of musicians will not be protected, they will be exploited (World Trade News: "US rattles a sabre at Chinese pirates", January 6).

Record companies pay their recording artists a small fraction in record sale royalties. The actual cost of producing a compact disc is less than the cost of producing a cassette tape or a record. Yet the price of a compact disc is sometimes twice that of older formats.

Record companies are purposely keeping the prices of compact discs high because there is a demand for this music format. The market in pirate compact discs had been growing astronomically in China until the Americans pressed the Chinese about entrance into the General Agreement on Tariffs and Trade.

Despite government crackdowns, pirate CDs are widely available in Beijing and are copied almost perfectly. There are no differences in sound quality, and discs can be purchased for as little as yuan 10 (75p).

The pirates are doing a lot for the musical education of Chinese in Beijing. They are bringing a popular Western product to China at an affordable price. Everyone can afford a *Nirvana* album. Yet legally imported CDs cost Yn120 (£9); too much for the average citizen.

If the US succeeds in forcing the Chinese to eliminate pirate compact discs, it will also succeed in putting what is arguably the world's most popular form of entertainment out of reach for the Chinese.

And does it make sense for record companies to stop this piracy? Companies should consider their best-case scenario. Is it a small, affluent group of consumers cringing when Kurt Cobain wails on their Volkswagen car stereo or a large, middle class and highly influential population banging their heads to the rants of "Smells Like Teen Spirit", and eagerly awaiting the new release of any long-haired Seattle "grunge" guitarist? Which group will be able to fill a 30,000 seat stadium when the concerts start coming to Beijing? Which group will want to purchase an album by a band called The Breeders?

Record companies would do well to create a larger fan base in China and the rest of the world by lowering the price of CDs to more acceptable and realistic levels, making music truly accessible to millions.

Steve Chiu,
Room 3112,
Holiday Inn Lido Beijing,
Jichang Rd & Jiang Tai Rd,
Beijing, 100004, China

Not all debit side on pensions

From Mr David G W De Burgh.

Sir, It seems that the present panic over the projected fall in the population and thus the future of state pensions in Europe is a little exaggerated ("European pensions 'heading for crisis' ", January 7/8).

One day we preach to the third world nations that the practice of having large numbers of children to sustain the parents in their old age has to be stopped to improve their standard of living, slow population growth and eventual disaster; the next day we hear how we need more children in Europe to pay for our pensions.

It is not all on the debit side of the balance sheet, however: fewer children will mean lower health costs; lower education costs; presumably lower social security costs as unemployment falls; and a reduction in the cost of crime, juvenile crime in particular. There will be lower labour costs in industry as machines increasingly replace human labour.

The wealthy countries of the future will be those with an intelligent, well educated, stable, sustainable population using technology to the maximum in recycling and pollution control. Every generation sees the demand for manual labour decline as machines take over the work of the masses, it will not be people that pay for the pensions of the older generations but robots.

Finally, may I say how nice it is to know that EU bureaucrats are in the vanguard of something – pension credits for the European Commission went up 17.4 per cent in 1994.

David G W De Burgh,
Buzón T509, Calle Ceuta 8,
03724 Moraira,
Alicante, Spain

Precise picture of Colombia economy

From Mr Noemi Sanin De Rubio.

Sir, I refer to the article, "Mexico, a lesson for all investors" (Weekend Money, Markets, January 7/8), in which David Roche discusses the lessons of the Mexican crisis for investors. The article contains some inaccurate facts on the Colombian economy.

It states that Colombia has a high exchange rate in real terms and "runs a budget deficit". Both statements are imprecise.

The exchange rate level, which has been increasing for the last two years, has only recovered its 1986 level, which is regarded as adequate in real terms. On the other hand, the budget has been balanced for the past four years. In 1994 there was a surplus equal to 2.3 per cent of the gross national product.

I would also like to clarify the issue of the current account deficit. The initial impact of opening up the economy by reducing import taxes has been a deficit in our trade balance for the past two years. This has been less than that initially experienced by other Latin American countries (eg, Chile and Mexico). At present, the current account deficit amounts to 4 per cent of GNP. According to your article, this appears to be an acceptable level.

Finally, it is important to note that David Roche's analysis should take into consideration how the current account deficit is being financed. In Colombia, short-term financing has been decreasing, while foreign investment and long-term financing have been growing. Colombia is in a position to back up its long-term obligations with its future Cusiana oil revenues.

Noemi Sanin De Rubio,
Colombian ambassador,
3 Hans Crescent,
London SW1X 0LR, UK

Wellcome has clear acquisition strategy

From Mr J W Robb.

Sir, I must take issue with the unfounded suggestion in the Lex column ("Wellcome's drug trips", January 14/15) that the Wellcome Trust would try to hinder any acquisition proposed by Wellcome plc.

It has been the clearly-stated strategy of this company for some time to seek whatever business opportunities will be in the best interests of all shareholders, and a major acquisition has always been one of the possibilities we would consider. That remains our position.

Having made this allegation about the Wellcome Trust, the article then changed to a completely different tack, which robbed the paragraph of all coherence.

I am disappointed that the Lex column, which has a high reputation for authority, should have fallen into unwarranted and misguided speculation on this occasion, the only result being a very confusing article on Wellcome.

J W Robb,
chairman,
Wellcome plc,
Unicorn House,
Euston Road,
London NW1 2BP,
UK

Debate misses point of EBRD transfer

From Mr Philip Poole.

Sir, Your article discussing the possibility of moving the headquarters of the European Bank for Reconstruction and Development from London to Bonn fails to address the fundamental issue behind the location question ("Germany suggests EBRD transfers to Bonn", January 7/8).

The EBRD's role should be to act as a catalyst to facilitate wider financial flows to the private sector in eastern Europe. Such private capital requirements can never be met from official multilateral or bilateral sources, but international investors still have doubts about the risk of investing in the region.

By providing an umbrella under which wider funding for private sector investment in eastern Europe can be assembled, the EBRD can play a unique role in helping to break this log jam.

To be successful in this will require the development of closer, not more distant, relationships with international financial institutions.

On the basis of this argument, it is the need to be close to financial markets and not relative real estate values that should be the focus of any debate about location.

Philip Poole,
managing director,
ING (UK) Capital,
55 Basinghall Street,
London EC2V 5EQ, UK

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday January 17 1995

Reforming the CAP

Sir Leon Brittan's decision to call for academic study of the implications of an eastern enlargement of the European Union for its Common Agricultural Policy was both bold and timely. The farm policies of the EU are indeed a significant obstacle to enlargement. But this creates more of an opportunity than a problem. The imperative of enlargement is simply turning the long desirable into the absolutely essential.

What is the difficulty? If the CAP were adopted by central and eastern European countries, producers would enjoy substantially higher prices. This would harm poor consumers, while distorting their economies. Higher prices would also raise output and increase EU surpluses. These would then undermine the EU's ability to abide by constraints agreed during the Uruguay Round, which will be difficult enough to achieve, in any case.

The budget of the EU, half of which is still consumed by agriculture, would also be seriously affected. Some studies suggest that the long-term cost of extending the CAP to central and eastern Europe would be Ecu23bn-27bn (£18bn-£21bn), a rise of 70 per cent over current farm spending. These costs may well be over-estimated. Nevertheless, the budgetary cost would be substantial.

What could be done? One option, suggest the reports, would be to postpone enlargement until a country could join the CAP without creating any difficulty. But it would be criminal even to consider waiting for a time that may never arrive. A second option would be to offer membership of the EU, without the CAP. But this would be inequitable, would make EU-wide voting on budgetary questions infeasible and would destroy the single market.

A third possibility would be to have a separate CAP for the eastern European countries, which would raise most of the objections listed above. A fourth option would be to offer membership of both EU and CAP, but impose particularly tight supply controls on eastern European producers. This would be inequitable and would also re-impose the absurdities of Soviet-style planning.

When the impossible has been eliminated, what is left, however improbable, is the only option. "The preferred strategy for the EU," argue professors Stefan Tangermann and Timothy Josling, "is to complete the process of CAP reform, by reducing support prices to close to world market levels, decoupling compensation payments completely from production . . . .and handing financial responsibility for decoupled payments over to the member states."

Predictably, these ideas have already been condemned as "naive". To translate: the CAP is intellectually indefensible, but too many pigs have their snouts in the trough. This judgment may well be correct. But it also means that enlargement to the east could well be indefinitely postponed. An EU that flunks its most important challenge in this way is one that will have been weighed in the balance and found wanting.

Sizing up Poland

In April last year, Poland and Hungary were the first of the transition countries to make a formal bid for EU membership. The better their progress in preparing themselves for entry, the more shaming will be the EU's failure to reciprocate. But how ready are they?

The Organisation for Economic Co-operation and Development's survey of Poland, published yesterday, confirms that the transition is further along there than many would have expected when it began. Unlike many countries further east, Poland now has the basic characteristics of a plausible candidate for the EU. But a visible "reform fatigue", in important areas, must not impede efforts to build on the country's impressive early achievements.

It is just over five years since (then) Deputy Prime Minister Leszek Balcerowicz launched the biggest of ex-communist "bangs" with a package of radical market reforms. This early courage paid off when Poland was the first country in transition to emerge out of recession, in 1992. The private sector now accounts for half of Poland's GDP and nearly 60 per cent of its jobs. The dynamism of this sector, along with a reasonably stable macro-economy, give the ruling coalition a margin for governmental error that many countries of the former Soviet Union would envy.

By comparison with those economies – and the Polish economy of five years ago – the dilemmas facing today's policymakers are second-order. The danger is no longer hyper-inflation, for example, but that an overly timid monetary policy would mean getting stuck for too long at the present rate of 25-35 per cent. Nor, after the extensive rescheduling packages of the past few years, is another full-scale default on the cards. But the government must still find a way to meet rising debt-service costs without adding to the budget deficit of 4.1 per cent of GDP.

Social expenditures and debt interest take a rising proportion of public expenditure: a reflection, of sorts, of the government's shift away from subsidising inefficient production. A symptom of the real and perceived costs of that transformation is the present coalition government, formed after the September 1993 elections and led by the formerly communist Left Democrat Alliance and the Polish Peasant party.

Elected as a result of public distress at the speed and casualties of reform, the coalition has had a tendency to go slow: not merely in the battle against inflation, but also in reforming the costly pension system and the financial sector. Again, Poland's political backlash is milder than that of others. Progress in privatisation, for example, may be even further delayed, but it has not stumbled, as in Hungary. Nor is it in danger of being reversed, as in Russia. Poland's plans for deserving a welcome into the EU are still in place. The prize is visible, but needs to be grasped with both hands.

Still there

Like the Duracell batteries in the television advertisement, the British prime minister continues to beat the drum long after others have faded from the scene. Mr John Major has been written off with every change of season since he first entered 10 Downing Street just over five years ago, most notably in the weeks before he surprised everyone by winning the election of April 1992, and with increasing frequency after sterling was ejected from the European Monetary System.

Yet he looks set fair to remain in office until an election that need not be held until 1997. As to his fate after that, the outlook when polling day comes will almost certainly look distinctly brighter than it does now.

It could hardly be worse. The Conservatives are so far behind in the opinion polls, and Labour is so far ahead, that both are off the conventional charts. If the electorate behaved in the way they answer mid-term questionnaires, which they rarely do, the Tories would be wiped off the political map. Mr Major himself plumbs new depths of unpopularity.

It is a measure of his determination to survive that he continues to bang the drum in such trying circumstances. He has done so with increasing firmness since the start of the year, in an evident attempt to reinforce his own position as leader of his party, to reunite the Conservatives, and to position them for an electoral battle that most people expect the government to lose.

It was presumably with this in mind that he called a political press conference yesterday. His use of the state dining room at Downing Street for such an event, rather than party headquarters, is an indication that he will deploy all the powers open to a prime minister in his campaign. This is in a long tradition of premiers of both parties.

As to policy, nothing new was said at the conference. Its significance lay in the fact that it was held. The prime minister managed to appear relaxed, as he has frequently done in recent weeks. So far, 1995 has been kind to him. His nudging of the government's European policy in a sceptical direction has successfully attracted the blessing of Mr Michael Portillo, the leading anti-European in the cabinet. It may bear further fruit in the form of a reconciliation with the backbench rebels who lost the party whip over a vote on EU funding.

That is as far as it goes. Unless the ministerial reviews of policy set in train by Mr Major come up with unexpected prizes, the Tories are unlikely to pick up support for positive reasons. They might, however, benefit from a failure by the Labour party to unite around the market-driven programme that the electorate expects of Mr Tony Blair. The Labour leader is in the spotlight, over rail privatisation, the abandonment of the nationalisation clause in its constitution, education and devolution. He is far ahead, racing, but Mr Major's steady beat continues.

EMU strain begins to show

Meeting the timetable for European economic and monetary union is looking increasingly difficult, says **David Marsh**

"The new German equilibrium to which the Germans aspire must be part of a European equilibrium. That is why the [European] Community needs to be strengthened" – François Mitterrand, December 1989

President François Mitterrand and Mr Jacques Delors are the European leaders who have most consistently supported the Maastricht treaty plan to implement European economic and monetary union (Emu) by 1997 or 1999. Mr Mitterrand's 14 years in office expire in May, while Mr Delors has just stepped down from the presidency of the European Commission, after announcing last month he would not stand in the spring elections to choose Mr Mitterrand's successor.

The withdrawal from active politics of Emu's two most important sponsors is an appropriate moment to ask whether the Maastricht timetable to subsume the dominant D-Mark in a common European currency is still feasible. Two conclusions can be reached.

First, realising the third and final stage of monetary union – the irrevocable fixing of exchange rates – by the first target date of January 1997 is nearly impossible. The view of the European Commission that Emu by 1997 is "a definite possibility" is wishful thinking.

Second, achieving Emu by the later date, January 1999, is far from certain. If Emu is to be accomplished this century, even for a small group of EU members, several countries would need to implement further unpopular fiscal tightening during the next few years.

The countries that would require such action include France, Belgium and the Netherlands – the three EU states (along with Germany and Luxembourg) singled out as members of an Emu "hard core" in last September's much-publicised document on European integration from Chancellor Helmut Kohl's Christian Democratic Union.

Failure to fulfil the timetable for economic and monetary union would have political as well as economic consequences: Emu forms the centrepiece of a plan, laid down in the aftermath of German unification, to accommodate and constrain a larger Germany within a new post-cold war European framework.

France, as the main supporter of this objective, faces a dilemma. Monetary union will not be possible without political and economic pain, yet failure to reach monetary union would mean the collapse of France's European strategy.

The Maastricht goal of fixing European exchange rates and replacing the D-Mark was supported in 1991 by both France and Germany, for different reasons. France wanted to restrain united Germany's newly-enlarged power. Germany wanted to ease its neighbours' fears about that power.

In an article in Le Monde before France's referendum on the treaty in September 1992, Mr Edouard Balladur, now France's prime minister and the favourite to beat his Gaullist rival Mr Jacques Chirac in the presidential election, summed up the rationale behind Maastricht and the Emu plan. Unless it was bound by Maastricht, Mr Balladur wrote, Germany would "act as it desires, without taking heed of its neighbours or its partners, without being constrained by any set of common European rules in its role as a military, economic, financial and monetary power in the centre of the continent".

Three years after the treaty, the political consensus that spawned the Emu plan is showing signs of fragility, while the economic convergence on which it was meant to be based is proving elusive.

At the Maastricht summit in December 1991, Mr Helmut Kohl, the German Chancellor, was sufficiently confident about Emu prospects to make a private wager that it would take place in 1997.

In the last two years, the chancellor's warmth towards monetary union has receded. His warnings against efforts by other EU members to weaken the Maastricht criteria have not increased the enthusiasm for Emu of the German electorate, which according to opinion polls continues to oppose monetary union by a large margin.

Apart from the attitude of the German electorate, there are political differences between France and Germany on the balance between deepening integration in western Europe and widening it to the east through EU enlargement. Bonn is aware of French anxieties about Germany's potential dominance as the EU expands eastwards.

Last September's CDU document on European integration stated: "In France there are fears that the process of enlargement . . . could transform the Union into a loose grouping of states in which Germany might acquire greater power and thus assume a dominant position. For France, therefore, the issue of deepening the union prior to enlargement is of vital importance."

However, the chances of Franco-German agreement on this issue appear to be slipping. Germany is pressing for decisions to deepen EU political integration that seem unlikely to be accepted by France. Mr Balladur went out of his way at the end of last year to reject the concept of a "federal" Europe hitherto supported by Mr Kohl.

Mr Hans Tietmeyer, the Bundesbank president, has repeatedly stated that a monetary union without accompanying political union would be untenable. That is, he says, because it would lack an institutional structure to ensure non-inflationary economic policies are kept permanently in place across the unified currency area.

Mr Wilhelm Schönfelder, a senior German foreign ministry official who helped negotiate Maastricht, wrote recently that "substantial" steps towards deepening political integration are needed at next year's inter-governmental conference to review the Maastricht treaty. Otherwise, he believes, the German parliament will not agree the final stage of Emu.

A senior aide to Mr Kohl admits in private that the 1996 conference could be "blocked" by discord between France and Germany on this matter, which would in turn hold up progress on Emu and on eastern enlargement.

There are also problems about economic convergence, particularly in EU members' public finances, one of the chief issues for which the Maastricht treaty sets targets.

While Germany's budgetary position is better than was judged likely two years ago (despite being weakened by unification), France has fared worse than expected.

Weak economic growth and high unemployment, aggravated by France's maintenance of the franc's link to the D-Mark throughout the upheavals in the exchange rate mechanism in 1992 and 1993, inflated the general government budget deficit last year to 5.7 per cent of GDP, against only 2.7 per cent in Germany, according to the Organisation for Economic Cooperation and Development.

Countries' ability to meet the Maastricht fiscal criteria has been severely impaired by the recession

This year, the OECD expects France to record a deficit of 5 per cent of GDP, against 2.4 per cent for Germany, while in 1996 the figures are forecast at 4 per cent and 1.8 per cent respectively. That compares with a "reference value" (or target) for government deficits laid down by Maastricht of 3 per cent of GDP.

Among the other criteria governing EU members' suitability for Emu, the treaty sets a limit for countries' public debt of 60 per cent of GDP. Inflation rates are meant to be no more than 1.5 percentage points above the three lowest-inflation EU states, while long-term interest rates should be no more than two percentage points above the three best-performing states.

By the treaty, Emu can take place in 1997 only if a majority of EU states is judged to meet the convergence criteria at the end of 1996.

If this majority is not forthcoming in 1997, Emu is scheduled to go ahead in January 1999 with all states that fulfil the convergence criteria.

Neither France nor Germany is likely to have difficulty fulfilling the inflation and interest rate criteria for 1997 or 1999, while the debt criterion should also be achievable.

Across Europe, however, countries' ability to meet the Maastricht fiscal criteria has been severely impaired by the recession. Despite the economic recovery, the OECD forecasts that only five of the EU's 15 members (Germany, Luxembourg, Ireland, Denmark and the Netherlands) are likely to meet the deficit target in 1996, compared with nine in 1991. Only four (France, Germany, the UK and Luxembourg) are likely to meet the debt target in 1996, against eight in 1991.

The procedure for entry into the third stage of Emu lays down that the EU may override the fiscal criteria in certain cases. Countries would be allowed to participate in Emu if their deficits were judged "temporary" or if they had declined "substantially and continuously" to a level "close" to the 3 per cent reference value.

Similarly, countries with debts that are "sufficiently diminishing" and "approaching the [60 per cent] reference value at a satisfactory pace" could also take part.

However, by the terms of Germany's ratification of Maastricht, the country's two houses of parliament must agree that the convergence criteria have been fulfilled before Emu can go ahead. Given the German public's hostility to Emu, the two chambers seems likely to take a restrictive stance when they examine EU states' convergence performances in coming years.

Even in the unlikely case that a majority of EU states was judged to meet the convergence criteria at the end of 1996, and that was approved by the German parliament, it is still improbable that Emu would take place in 1997.

As a further condition for Emu's third stage, the Maastricht treaty lays down that EU heads of government would have to agree, by a qualified (roughly two-thirds) majority, that realisation of monetary union was "appropriate". In practice, the countries which would be unwilling or unable to take part in Emu at the end of 1996 (UK, Italy, Spain and some smaller countries) would form a "blocking minority".

Even if Germany, France and other members of an Emu "core" fulfilled the criteria in 1998, it is not certain that a small group of countries could accomplish monetary union in 1999. Mr Hans Barbier, economics editor of the Frankfurter Allgemeine Zeitung, an influential sceptic on Emu, says he believes Emu will probably not take place in 1999. That is, he says, because France would prefer a further large EU member as an Emu participant in addition to Germany – and neither the UK, Italy nor Spain will at that time be ready to join.

Facing these diverse uncertainties, Mr Jean-Claude Trichet, governor of the Bank of France, last month admitted that monetary union at the earliest date of 1997 would be possible only "through will and continued effort". He issued a strong call for further French budget cuts, saying it was "unimaginable" that France should not meet the Maastricht targets next year.

A senior German finance ministry official also underlines the scale of France's budgetary challenges. "We [the German government] have signed a treaty. We are ready to go to monetary union. But we need partners, and it would make no sense if one of those partners were not France. France has agreed to fulfil certain conditions. Whether or not France will achieve them is not something we can influence."

The Netherlands and Belgium, although generally regarded as well-qualified for Emu, also need to tackle fiscal problems, related above all to the two countries' high public debt levels. These are forecast by the OECD for 1996 at 81.4 per cent and 134 per cent of GDP respectively.

The Dutch central bank calculated last year that the Netherlands would need to reduce its annual public sector deficit to 1 per cent of GDP by 1998, hold it at this level for a decade, and achieve average nominal GDP growth of 4 per cent a year in order to reach the 60 per cent public debt target by 2008.

Belgium's difficulties are greater. The finance ministry last year outlined an ambitious plan to reduce the country's public sector debt to 60 per cent of GDP by 2009. It could achieve this, the ministry calculated, by achieving annual primary budget surpluses (the budget balance not counting interest chanrges) during that period of 6 per cent of GDP – a level of primary surplus nearly double that achieved at present.

The outlook for Emu this century depends on two factors: the restrictiveness with which the German parliament vets the performance of other EU members on the convergence criteria, and the French government's willingness to pursue unpopular fiscal rigour.

The Germans are unlikely to be generous about interpreting the criteria, and the capacity of a new French president to keep his country politically and economically on track for Emu remains unknown. The monetary union project has already surmounted many hurdles, but the most difficult part of the obstacle race is still to come.

OBSERVER

Buying in bulk

■ Anyone wondering why Hong Kong's property market is on the skids gets at least part of the answer in the latest edition of Vancouver Magazine. It compiles an annual list of Vancouver's most expensive homes, based on local property-tax assessments. According to this year's list, Asians own five of the city's six priciest properties. The five have a combined assessment value of C$30.7m (US$21.8m), far below what they would fetch on the market.

The rankings remind Vancouverites of the apocryphal newly arrived Hong Kong immigrant who retained an estate agent to show him what was on the market.

After visiting a dozen plush residences without a flicker of interest from the inscrutable client, the agent became impatient: "Aren't you going to buy one?" asked the agent. "No – I'll take all of them," was the reply.

Power luncher

■ It's never too late to take on a new job, as Francis Crick, Nobel Prize winner for his co-discovery of DNA, now 78, can testify. The prestigious Salk Institute in La Jolla, southern California, has persuaded him to become its president, after 34 years as a researcher and professor at the biology and genetics research facility.

Fund-raising will be Crick's major activity. Salk currently has an endowment of some $30m; it hopes Crick can raise that to $200m. That's a tall order, not least because Salk has neither patients nor alumni and must instead rely on high-level schmoozing to raise funds.

Bart Sefton, chairman of the academic council, says Crick will be a natural: "He's a celebrity and has very good judgment about people and science . . . Francis is the sort of person everyone would like to say they had lunch with. Even scientists would like to go back and say they discussed dreaming or neuro science with Francis Crick."

Some lunching. Let's hope Crick worked out a commission deal for himself.

Gentleman, please

■ Imagine the horror at S.G. Warburg when news came that GrandMet, one of Warburg's plum clients, had turned to Morgan Stanley for advice on last week's £1.7bn bid for Pet, the US branded food group.

Having been jilted at the altar by Morgan Stanley less than a month before, it would have been jolly embarrassing if Morgan then pinched Warburg's first big corporate deal of 1995. Fortunately, no such nastiness occurred. Warburg was given equal billing with Morgan Stanley as an adviser on the Pet acquisition and even hosted GrandMet's press briefing.

However, the offer document tells a different tale. Morgan Stanley will earn close to £10m in fees from the deal; while Warburg makes £1.3m. So plenty of room for petulance after all.

Donkey lions

■ You have probably never heard of them, but your children have.

In 1985 three Stamper brothers – Christopher, Stephen and Timothy, then in their 20s – set up Rare Software, a small company in Twycross, Leicestershire.

Almost a decade later they are all set to become quite rich, thanks to a video game called *Donkey Kong Country*, which Rare Software has developed for Nintendo, the Japanese computer games group.

The game – now being hailed as the most successful video game in history – involves helping Donkey Kong and his sidekick, Dinky Kong, recover some bananas stolen by characters called the Evil Kremlings.

Nintendo says more than 6m cartridges of the game were sold worldwide in the first six weeks since its pre-Christmas launch, representing about $400m in retail sales. Rare stands to make between $15m and $20m in royalties this year.

"*Donkey Kong Country* has become the fastest selling video game in the history of the industry," gushes Howard Lincoln, chairman of Nintendo of America. "In virtually every area of the world where it was available . . . the game has literally (*sic*) blown out of retail outlets."

Truly, the world has gone bananas.

Numbers' game

■ Some (anonymous) wag at Saatchi & Saatchi's head office in London has taken to sending out a fax entitled: "Top 10 reasons Maurice is no longer with us . . ." Maurice Saatchi, it will be recalled, was recently toppled from his post as chairman, thus helping fill many column inches.

The fax demonstrates that creative talents linger, despite Maurice's departure. Tenth on the list is: "Couldn't stand waiting for elevators", while number eight offers: "Stupid Americans kept calling him 'Maurice' not 'Morris' ". Number seven – "prefers spending time burning ants with his giant glasses" – has the sure-footed, surreal, Saatchi touch, while number six – "Wisconsin group wants agency's new name to be 'Saycheese & Saycheese' " – is obviously catering to a more populist audience. Number one – "Forgot his ID" – is a little hard to swallow: he would never forget something like that, surely?

The Financial Times

100 years ago

Money and Stocks
Markets generally were upset this morning by the news of the resignation of the French President, and some free selling took place; but on receipt of buying orders from Paris there was a general recovery, most of the early losses being regained. Considerable surprise was expressed at the cheerful way in which Paris took the crisis; but the markets came to the conclusion that the French must, after all, be the best judges of their own afflictions. The declaration of two satisfactory Home Railway dividends – the Brighton and the Metropolitan – assisted the recovery, and markets, with the exception of the American department, finished good.
[The president who resigned was Jean Casimir-Perrier (1847-1907)]

50 years ago

Venezuelan oil concession
A second group of oil concessions covering approximately 1m acres has been granted by the Venezuelan Government to the Richmond Exploration Company, according to an announcement by the parent company, the Standard Oil Company of California.

FINANCIAL TIMES
Tuesday January 17 1995

Bank of England damps fears of early rise in interest rates

By Robert Chote, Economics Correspondent, in London

Mr Eddie George, the governor of the Bank of England, appeared to damp expectations of an early interest rate rise yesterday, in spite of evidence of steady Christmas high street sales and upward pressure on manufacturers' prices.

Mr George told the Chartered Institute of Bankers in Scotland that he could not yet say "whether or when" interest rates would need to be raised again. This suggests that the increase some City economists expect next month is far from being a foregone conclusion.

The governor told Mr Kenneth Clarke, the chancellor, last month that he would look closely at Christmas trading to see whether further action was needed to slow economic growth and forestall inflationary pressure. The latest monthly survey of retailers from the Confederation of British Industry, published today, shows that spending in December was normal for the time of year and in line with retailers' expectations.

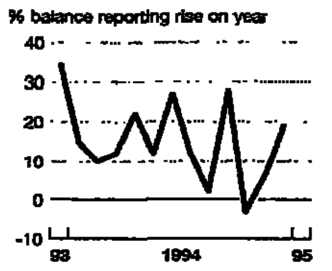
"The year finished on a more positive note for many retailers as competitive prices encouraged people to shop," said Mr Alastair Eperon, chairman of the distributive trades survey panel of the CBI, the employers' organisation. The survey is in line with trading statements from big retailers and appears to dispel the apocalyptic predictions of dismal trading by some observers before Christmas.

House of Fraser, the department store group, said sales in the six weeks before Christmas were 10 per cent up on the previous year, having been slow in the second half of the year. Trade in the January sales dipped after a healthy start.

The picture is mixed: footwear, leather and clothing shops reported December sales well up on last year, but specialist food retailers reported trade sharply down. Furniture and carpet stores saw subdued trade. Some 49 per cent of retailers reported sales up on last year in December, with 30 per cent reporting them down. The net balance reporting a rise was the largest since September.

UK retail sales volume

% balance reporting rise on year



Source: CBI

The underlying trend of the distributive trades survey , according to Mr Sudhir Junankar, a CBI economist, showed growth in high street spending continuing to slow. He added that it was too early to discern the impact of last year's base rate rises.

The financial markets still expect a further interest rate rise early this year. They were given some encouragement yesterday by figures showing that manufacturers are trying to pass on higher raw material costs to their customers as higher prices.

Manufacturers raised their prices slightly more sharply than City of London economists expected last month, lifting the annual rate of factory gate inflation to a nine-month high of 2.6 per cent, according to the Central Statistical Office. Prices rose by a seasonally adjusted 0.7 per cent in December, although this was largely the result of Budget excise duty increases.

The Treasury said factory gate inflation remained relatively low, but that the figures illustrated the need for tight control of labour and other costs. Fuel and raw material costs rose by 1.5 per cent in December, in part reflecting recent rises in commodity prices.

Bank's caution, Page 8
London stocks, Page 28

Higher crossborder charges likely to hit low-cost post services

Dutch angry at mail revenue plans

By Ronald van de Krol in Amsterdam

Companies that channel their international post through low-cost mailing centres such as the Netherlands could face higher rates from a move to increase crossborder charges among the industrialised countries' post offices.

The Dutch post office, one of the few in the world to be both profitmaking and stock exchange-listed, is today set to vote against a proposal that would require post offices to raise the prices they charge each other for the delivery of incoming foreign mail.

PTT Post said it would vote against the proposal at a meeting in Brussels of the International Post Corporation, even though it is likely to be outvoted by a clear majority of the IPC's 25 members, which include most European countries, the US and Japan.

If, as seems likely, the price rise is approved, "PTT Post will have no choice but to complain to the European Commission" on competition grounds, Mr Ad Scheepbouwer, managing director, said.

Yesterday, organisations representing a number of big European postal users, including the Federation of European Direct Marketers and the European Mail-Order Traders Association, also condemned the proposed price rises.

In a joint statement, they "urgently requested all European postal operators, regulatory authorities and the European Commission to delay the changes until after full consultation with postal users".

PTT Post, part of KPN, the Dutch telecommunications and postal group which was partially privatised in June, has long been critical of proposals for raising the "terminal dues" charged by one postal authority to another.

Terminal dues are used to settle imbalances in postal flows between countries. If one country delivers more post for another country than vice versa, it is entitled to charge dues to cover its costs.

PTT Post – which has carved out a strong niche for itself as a "remailer" of foreign mail for magazine publishers and other international business customers from its highly automated low-cost base in the Netherlands – says that the price rises will reward inefficiency.

It is also critical of the increases because it says they are being introduced without any thorough market research to gauge how customers will react.

At present the level of terminal dues between industrialised countries depends on the number of letters delivered and their weight. Under the new system the terminal dues rate would be gradually raised over a six-year period until it equals 80 per cent of the domestic rate for a first-class letter.

For excess Dutch post delivered in Germany, the terminal dues charged will eventually be around three times more than they are at present, Mr Scheepbouwer said. "We should not have to pay for the inefficiencies of the German or French postal systems," he said, adding that Germany and France were both likely to vote in favour of the changes.

India paves way for telecom investment

By Nancy Dunne and Shiraz Sidhva in New Delhi

India has announced details of the country's plans for liberalising its telephone network, opening the way for hundreds of millions of dollars of foreign investment in telecommunications.

The package, which follows over two years of debate, was unveiled during a visit to Delhi by Mr Ron Brown, the US commerce secretary, Mr Brown welcomed the deregulation of telecommunications and urged India to continue with the pro-market reforms launched in 1991 by Mr P.V. Narasimha Rao, the prime minister. Mr Pranab Mukherjee, the Indian commerce minister, reassured Mr Brown that India remained committed to liberalisation despite the ruling Congress party's defeat in recent state elections.

US company executives accompanying Mr Brown signed 10 commercial agreements worth US$1.4bn in power, financial services and telecommunications. Mr Brown and Mr Mukherjee announced the creation of a US-India commercial alliance, a working party of officials, aimed at doubling the volume of bilateral trade in five years. Two-way trade totalled US$7.4bn in 1993. Mr Brown said "India would get the attention it deserved" from the US government.

The US is India's largest trading partner, and the once-cool bilateral relationship has warmed since the visit to Washington by Mr Rao, last May.

The most significant of the deals signed yesterday was a $100m plan by US West, the telecommunications group, to build a privately owned telephone network, which is seen in India as a forerunner of other private sector investments in telecoms.

The announcement was soured by the fact that US West's competitors lodged protests over the contract award because US West's pilot project will seemingly not be put through the same tendering process as other schemes.

US West's rivals including international operators – such as AT&T, France Telecom, and British Telecom – have waited months for yesterday's government distribution of tender documents and expressed outrage.

US West, which is constrained to take local partners by the government's new guidelines, will take advanced digital telecoms services to rural areas in southern India and some industrial centres.

Delhi opens tenders for telecoms, Page 4
US companies win clutch of contracts, Page 4

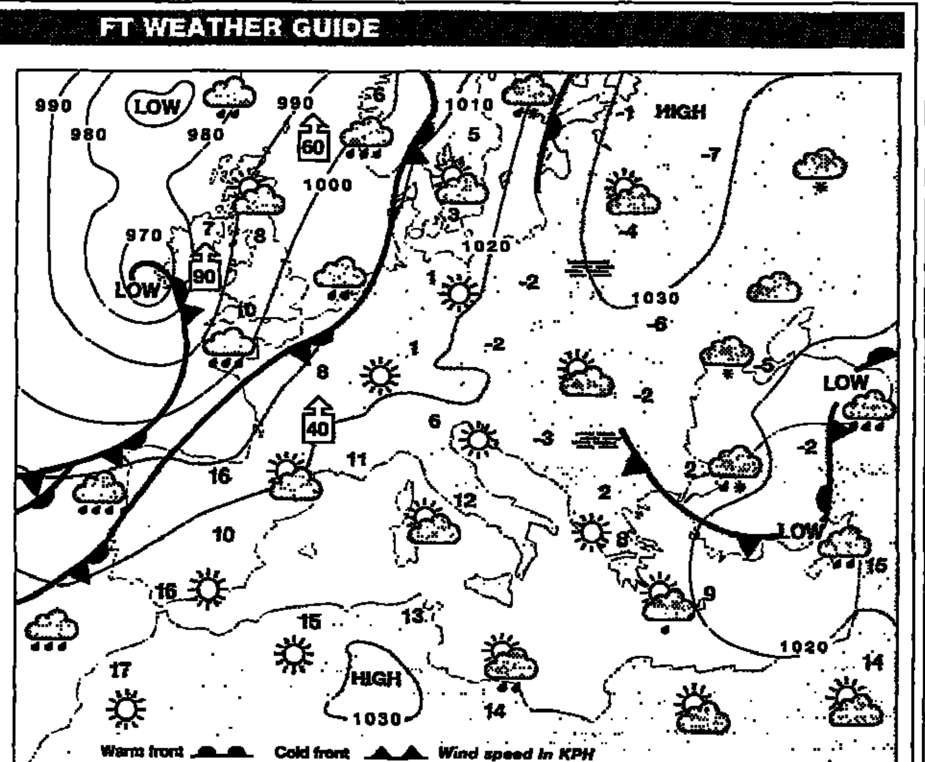
FT WEATHER GUIDE

Europe today

A vigorous storm is expected to cross Ireland and Scotland on its way north-east, bringing severe weather to Ireland and western Britain. From this morning until tomorrow morning, storm force winds may damage houses, trees and commercial buildings. Gusts may exceed 150kph. The west coast may have waves of 7 metres. Western Portugal, Spain, France and the Low Countries will have rain. Most of the continent will be dry and rather sunny. North-east France and southern Germany will have persistent fog. A low pressure system in the eastern Mediterranean will draw cold air from Russia into Greece, causing wintry showers in Turkey and the Aegean.

Five-day forecast

A frontal disturbance will enter the Mediterranean tomorrow and move east. On Thursday, this low will cause snow on the southern slopes of the Alps and strong fohn winds on the northern slopes. A new storm will enter Ireland and Britain on Thursday bringing wind and rain followed by unsettled conditions with showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	26
Accra	cloudy	31
Algiers	fair	15
Amsterdam	cloudy	7
Athens	cloudy	8
Atlanta	sun	20
B. Aires	fair	29
B.ham	rain	7
Bangkok	sun	33
Barcelona	cloudy	11
Beijing	sun	2
Belfast	windy	8
Belgrade	sun	-4
Berlin	fair	1
Bermuda	fair	22
Bogota	fair	20
Bombay	fair	32
Brussels	cloudy	7
Budapest	sun	-3
C.hagen	fair	3
Cairo	cloudy	14
Cape Town	fair	26
Caracas	fair	30
Cardiff	windy	9
Casablanca	fair	17
Chicago	rain	5
Cologne	fair	7
Dakar	sun	25
Dallas	cloudy	17
Delhi	fair	21
Dubai	fair	25
Dublin	windy	9
Dubrovnik	fair	8
Edinburgh	fair	6
Faro	cloudy	18
Frankfurt	fair	1
Geneva	fair	3
Gibraltar	fair	16
Glasgow	rain	7
Hamburg	fair	4
Helsinki	fair	1
Hong Kong	fair	20
Honolulu	fair	27
Istanbul	snow	2
Jakarta	thund	30
Jersey	rain	8
Karachi	sun	27
Kuwait	fair	20
L. Angeles	fair	17
Las Palmas	fair	20
Lima	fair	27
Lisbon	rain	14
London	rain	9
Lux.bourg	fog	4
Lyon	fair	6
Madeira	shower	20
Madrid	cloudy	10
Majorca	sun	14
Malta	cloudy	13
Manchester	rain	7
Manila	cloudy	30
Melbourne	fair	24
Mexico City	fair	23
Miami	sun	26
Milan	fair	4
Montreal	fair	1
Moscow	fair	-7
Munich	fog	1
Nairobi	fair	27
Naples	sun	11
Nassau	fair	27
New York	cloudy	14
Nice	sun	12
Nicosia	thund	16
Oslo	rain	5
Paris	cloudy	8
Perth	sun	37
Prague	fair	-2
Rangoon	sun	33
Reykjavik	snow	-3
Rio	cloudy	33
Rome	sun	12
S. Frsco	fair	13
Seoul	fair	2
Singapore	shower	31
Stockholm	fair	5
Strasbourg	fog	2
Sydney	fair	26
Tangier	fair	16
Tel Aviv	shower	14
Tokyo	fair	8
Toronto	snow	-2
Vancouver	rain	7
Venice	sun	6
Vienna	sun	-1
Warsaw	fair	-1
Washington	fair	15
Wellington	fair	17
Winnipeg	snow	-8
Zurich	fair	1

THE LEX COLUMN

Rémy's Asian hangover

Rémy Cointreau yesterday demonstrated some of the hazards of selling luxury drinks into the Asia Pacific market. First, it is volatile. Chinese sales have swung month-on-month and, while long-term prospects look good, there will be inevitable pitfalls. Second, it has created substantial exposure to the US dollar which led to FFr70m ($13.2m) provisions against currency losses in its interim figures. Current rates suggest a second-half improvement, but yesterday's figures serve to underline the risks.

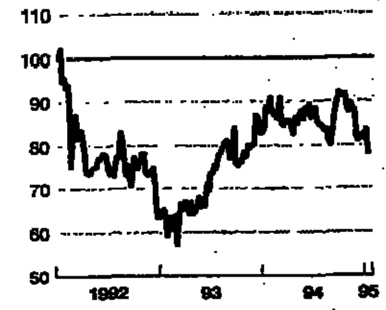
This is having unfortunate consequences for a company with more than 100 per cent gearing and interest cover of 1.3 at the interim stage. At the current share price, a tranche of 1995 warrants will lapse worthless. Meanwhile, the weak share price affects Rémy's ability to raise cash through a rights issue – the controlling family has ruled out equity issues in the short term.

Nevertheless, Rémy's Asia Pacific foray has been an overall success. Hong Kong Chinese thirst for brandy may decline with the colony's property market, but Rémy has pinpointed Chinese populations worldwide with great success. In addition, European sales should start to pick up in 1995 with the turning economic cycle, after a stable six months in terms of both sales and margins. Champagne profits will also start to demonstrate the benefits of previous decreases in the grape price. The overall picture for Rémy looks positive, but will inevitably be clouded by the short-term need to strengthen its balance sheet.

Eurotrack 200: 1389.55 (+13.24)

Rémy Cointreau

Share price relative to the SBF 120 Index



Source: Datastream

Continental takeovers

Minority shareholders often receive a raw deal in continental European takeovers. Bidders all too regularly acquire only as large a stake as they need for control. The current bid battle for Italy's Credito Romagnolo, the bid for Portugal's Banco Totta e Açores and this month's acquisition of Germany's PWA are all examples of partial bids. Their attraction for bidders is clear: partial bids are a way of buying control on the cheap. But minority investors are typically left with few rights.

The problem is that takeover regulations are weak in most of continental Europe. Last year's German financial market reforms barely touched the subject. In Portugal, the situation is if anything deteriorating: though the government blocked a partial takeover for another bank last year, it is prepared to waive the rules this time as a partial bid for BTA solves the political problem of its control by a Spanish bank. In Italy, Romagnolo's shareholders are not faring too badly because they are being wooed by rival bidders which are competing not merely on the price they are offering for each share but on the proportion of stock they are prepared to buy. Still, one cannot always rely on the emergence of white knights to protect minority interests. If continental markets are to gain the confidence of investors, they will need to toughen their takeover rules. That means banning partial bids or, at minimum, requiring bidders to obtain approval from minority shareholders for a change of control.

Arjo Wiggins Appleton

AWA's decision to take a standard Paris listing was widely signalled, but remains worrying. It represents another step in the creeping control by St Louis, the French company owning 40 per cent of AWA. St Louis' influence is already considerable: AWA is unique in being the only FT-SE 100 constituent without a British executive director. Mr Cob Stenham, the non-executive chairman, is also a director of Worms, St Louis' own minority shareholder. Holding the two positions creates a potential conflict of interest, undermining majority shareholder confidence that the board will protect their interests.

The two greatest concerns associated with St Louis' increasing control remain strategy and dividend policy. AWA emerged from the recession with a strong balance sheet. The company could easily have grown through acquisition, as was desired by the former British chief executive. But AWA has remained inactive during the sector's rationalisation, making it look flat-footed.

AWA is yet to raise its dividend since its shock cut in September 1992. That suggests it has adopted Gallic habits: during the past decade the French market yielded an average 3.1 per cent compared with the UK's 4.3 per cent. The group's policy of maintaining an average dividend cover of about 2.5 times earnings remains ambiguous because it fails to state over what period. Disgruntled majority shareholders might be somewhat assuaged if 1994's strong cyclical earnings upturn is reflected by a significant dividend increase.

Tomkins

Once again, Tomkins has struggled to impress investors. The UK conglomerate's interim figures were in advance of allexpectations but its shares closed unchanged against a buoyant stock market. This leaves the company as the lowest rated of the FT-SE 100 conglomerates, despite having £204m of net cash and a management that has delivered as much as it promised. City reaction focuses primarily on two areas – the poor operating environment of its 1992 acquisition RHM, and the possibility of future acquisitions. In the case of the former RHM businesses, the fact that they eked out 20 per cent profits growth from flat sales shows the positive impact of Tomkins' restructuring plan. The milling/baking division increased margins by 50 per cent and the restructuring programme has another 18 months to run.

With RHM back on a growth track, with a powerful performance from Tomkins' US businesses, the group is throwing out prodigious amounts of cash. Given Tomkins' concentration on returns on assets, this must herald further acquisitions. And at the current weak share price, the immediate threat of a rights issue remains negligible. Tomkins is notoriously conservative, but it is fair to assume that a more profitable home for this cash will soon be found. Meanwhile, shareholders have the benefit of a prospective dividend yield of at least 4.6 per cent. With such a defensive balance sheet, the company hardly deserves its current discount to the market.

Additional Lex Comment: see UK companies pages

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday January 17 1995

IN BRIEF

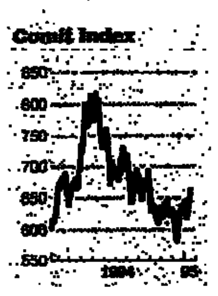
AIB invests in Polish bank

The Allied Irish Bank has agreed to invest a maximum of I£13m ($8.28m) in Poland's Wielkopolski Bank Kredytowy, which was privatised and listed almost two years ago. Page 16

Hong Kong sees slight rebound
The Hong Kong market rebounded 3.5 per cent yesterday, recouping some of the 5 per cent cumulative losses recorded last week amid fears of a Mexican-style crisis in Asia. Back Page

Rockwell lifts earnings 12%
Rockwell International, the US industrial and defence group, predicts double-digit earnings growth in its current financial year. The company said first-quarter earnings were up 12 per cent at 76 cents a share. Page 17

Milan up 5% in biggest rise for 9 years



The Comit index rose 32.22 or 5.1 per cent to 666.87, its largest single-day gain for almost nine years, in a wave of euphoria following an end to Italy's long-running political deadlock. Mr Lamberto Dini, the prime minister-designate, began putting together his cabinet team of non-political experts to head a so-called institutional government. Turnover was estimated to have soared to L1,900bn ($1.17bn), around three times recent levels. Back Page

Tisco moves to thwart a raid
The possibility of a hostile raid on Tata Iron & Steel Company (Tisco), India's biggest private-sector steel group, can no longer be ruled out. Aware of this, Tisco is rushing to modernise the company's production against a backdrop of declining import protection. Page 18

Industrial unrest takes toll on gold mines
Industrial unrest, combined with a lower gold price and technical problems at some mines, resulted in a sharp drop in earnings in the quarter ending in December at Gengold, which runs the gold mines for South African mining house Gencor. Page 18

Czech brokers move on reporting
Czech brokerage houses are proposing a move to increase the transparency and efficiency of share dealing on the Prague stock exchange, by reporting all off-market share transactions on the day they happen. Page 19

SG Warburg sells out of eurobonds
SG Warburg, the UK investment bank, has liquidated most of its portfolio of eurobonds following its decision last week to pull out of the market. Page 20

Niche market gives Finnair the edge
Finnair can claim to be one of Europe's most efficient state-controlled airlines after a tough cost-cutting programme that helped power it back to profitability. But its success has much to do with exploitation of a niche market. Page 17

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BASF	318	+	7
Deutsche Bk	716	+	14
Porsche	666	+	16
Preussag	453.5	+	10.5
Falls			
Asko	710	–	11
Lahmeyer	557	–	12
NEW YORK ($)			
Rises			
Bankers Tst	60½	+	1⅜
Chemical Bkg	39¾	+	1⅛
Fst Chicago	48⅜	+	1
Fst Interstate	73¾	+	2⅜
Quaker Oats	36¼	+	4½
Falls			
Coca-Cola	53¼	–	2⅜
LONDON (Pence)			
Rises			
Carclo Eng	276	+	11
Eurocamp	270	+	18
ICI	785	+	17
Warburg (SG)	688	+	15
Falls			
Dalgety	188	–	35
Tadpole Tech	252	–	52
TORONTO (C$)			
Rises			
Air Canada	8⅝	+	⅝
Campbell Rs	93	+	6
Can Oper	310	+	10

Newbridge	53⅝	+	1¼
Terra	16⅝	+	⅞
Falls			
Gulf Canada	390	–	15
PARIS (FFr)			
Rises			
Air Liquide	737	+	12
Bouygues	530	+	10
Peugeot	739	+	10
Radiotechn	584	+	14
Unibail	490	+	10
Falls			
Immobanque	770	–	22
HONG KONG (HK$)			
Rises			
Guoco	27.95	+	2.5
Hutchison	27.3	+	1.9
Swire Pacific	43	+	2.3
Wharf	23.25	+	1.6
Falls			
China Motor	51	–	1
HK Bldg	14	–	0.8
BANGKOK (Baht)			
Rises			
Mutual Fd	572	+	42
Bangkok Ins	434	+	20
Thai President	280	+	20
Falls			
Finance One	304	–	26
Jasmin	450	–	22
Devas Ins	350	–	12

Tokyo closed. New York & Toronto prices at 12.30.

US carmaker returns to the black while rivals power ahead, reports **Kevin Done**

GM momentum runs out at the fast lane

General Motors, the stumbling giant of the world auto industry, has finally hauled its North American automotive operations back into the black after four years of losses. But the highest cost producer in the US auto industry is still struggling to match the pace set by its domestic rivals Ford and Chrysler.

"We are on track to reach our goals," insists Mr Jack Smith, chief executive. "Don't judge us by our third-quarter results. We ran where we thought we would in the fourth quarter."

Given the horrors GM has faced in its domestic automotive operations since the beginning of the 1990s, the turnround in the last two years – following a boardroom coup in 1992 – has been heroic. Compared with the performance of its rivals, however, the achievements of the world's biggest vehicle maker are modest, at best.

From 1991 to 1993 GM's North American automotive operations (NAO) ran up losses totalling $14.9bn – $8.3bn in 1991, $5.7bn in 1992 and $982m in 1993.

For 1994 the target set for NAO was to climb back to a net profit again, hardly an ambitious goal in a US market which was the strongest since 1988. US new vehicle sales rose last year by 8.5 per cent to 15.4m, the third successive year of rising demand.

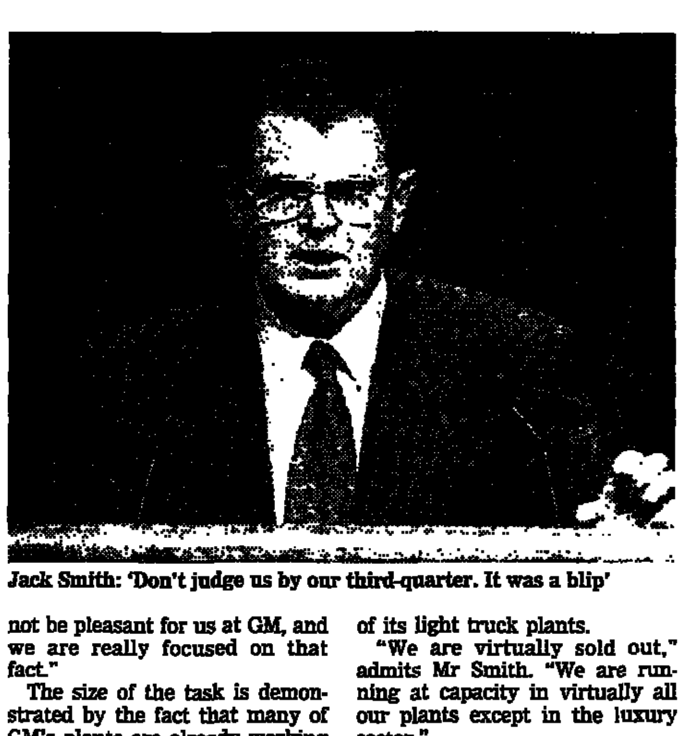
When the group's 1994 results are announced next month, GM will have reached its goal for NAO, but it has been a struggle, and GM's rivals are still powering ahead in the fast lane.

The group's NAO finally returned to a quarterly net profit in the final three months of 1993 and in the first nine months this year they achieved a net profit of $197.5bn – but a net loss of $328.4m in the third quarter sent renewed tremors through Wall Street.

"The third quarter was a blip," insists Mr Smith. "There were a couple of strikes and some troubles with the start-up of new models. We don't think that we have lost momentum."

It has taken some mighty help from the US economy to drag GM's NAO back to only a meagre profit, however, and at this point in the automotive trading cycle the company should be notching up record profits, just like Chrysler, its much smaller rival, which announces its year-end figures today.

"The reality and results at GM do not yet come close to matching our expectations," admits Mr Rick Wagoner, president of GM's NAO since July. "In spite of the progress we've made, if we don't continue to make a lot more progress in our cost structure by the next major downturn, it will not be pleasant for us at GM, and we are really focused on that fact."



Jack Smith: 'Don't judge us by our third-quarter. It was a blip'

The size of the task is demonstrated by the fact that many of GM's plants are already working at full capacity, despite the the paucity of its earnings. It is adding a third shift to achieve round-the-clock working at some of its light truck plants.

"We are virtually sold out," admits Mr Smith. "We are running at capacity in virtually all our plants except in the luxury sector."

Last year its US vehicle sales topped 5m for the first time since 1989, rising 7.4 per cent to 5.06m.

NAO accounts for more than 60 per cent of the group's turnover, which totalled $135bn in 1993, and GM will continue to lag behind its rivals until it can improve its domestic profitability, however well it does abroad.

A study last year by Harbour Associates, the US automotive consultants, showed that GM had made substantial improvements in its North American assembly operations, in product design, purchasing costs and workforce reduction. Despite such progress, however, Chrysler still earned $1,017 more per vehicle than GM in 1993, and it powered further ahead in 1994.

GM is still prone to stumble when it reaches for ambitious targets, and it has faced severe problems at some of the US plants where it has introduced new models and has tried at the same time to make a breakthrough in efficiency and productivity.

It is still struggling to raise output at its Lordstown plant, for example, where it wants to move from traditional mass production methods to flexible lean manufacturing for the production of the new Chevrolet Cavalier/Pontiac Sunfire small family car.

"Getting from the past to the future isn't always pretty, but it's exactly that sort of aggressive change that we need at GM," says Mr Wagoner of the Lordstown move. He readily admits that GM has been an "enormous struggling corporation, its back to the wall", but claims that it is "finally seeking to change and adapt to the future".

ING in talks to open office in N Korea

By Ronald van de Krol in Amsterdam

Internationale Nederlanden Groep, the big Dutch financial services company, is holding talks in North Korea in the hope of becoming the first foreign bank to open an office in one of the world's most fiercely protected and tightly-closed economies.

ING Group, a specialist in emerging markets banking, declined to comment on a South Korean newspaper report that it was negotiating with North Korea's Korea Foreign Insurance Co and that a contract may be signed on January 25.

However, ING in Amsterdam confirmed that the group, which is active in banking and insurance, was interested in opening a banking office in North Korea.

"Talks are under way but they are not yet at a stage that we would expect something to emerge next week," it said. "It's impossible to say at this stage whether it will take weeks, or longer."

ING also declined to say whether its negotiating partner was Korea Foreign Insurance Co, as reported in South Korea. "In general, we are keenly interested in emerging markets, and North Korea is a good example of that," it said.

ING, the product of one of the Netherlands' largest corporate mergers of the 1990s, has expanded rapidly in banking around the world in recent years, focusing primarily on emerging markets such as Latin America, south-east Asia and eastern Europe. It already has an office in South Korea.

During the 1990s ING received permission to open banking offices in a number of formerly closed markets such as Vietnam and Cuba.

Its foreign banking network encompasses 75 offices in nearly 50 countries. In Europe, it is one of the leading exponents of "bancassurance", the combination of banking and insurance in one company.

Outside the Netherlands, ING has concentrated on countries exhibiting what it calls "market imperfections", such as the lack of a well-functioning capital market or a bank transfer system.

The Dutch group is also active in trade, commodity and project finance, all of which put it in close contact with clients and governments in emerging markets.

Attempt to turn back the clock at Saatchi

By Robert Peston in London

A last-ditch attempt to arrange a peace deal between Mr Maurice Saatchi and Saatchi & Saatchi, the advertising group which ousted him as its chairman before Christmas, has been made by Mr Saatchi's brother, Charles.

Despite the hostility between Saatchi & Saatchi and Mr Maurice Saatchi, Mr Charles Saatchi has put a proposal to the company's merchant bankers, S.G. Warburg, that the company should take Mr Maurice Saatchi back on to its board. "The idea is that the clock should be turned back," said a friend of the brothers.

The proposal would involve a promise by the company that Mr Maurice Saatchi could organise a demerger of Saatchi & Saatchi Worldwide, one of the company's two main advertising networks, which he would then run.

Saatchi directors, attending a board meeting yesterday, thought the peace attempt stood little chance of succeeding. "Shareholders wanted Maurice out," said one. "How could we possibly have him back now, after the vitriolic media war between the two of us."

A statement from the company's board due this morning will endorse a corporate strategy which excludes Mr Maurice Saatchi, according to an executive.

Mr Charles Saatchi, who retains the honorific title of Saatchi & Saatchi president, made the peace proposal to a director of S.G. Warburg on Sunday night. He has also communicated the plan to two Saatchi & Saatchi directors.

The plan was put on Sunday to Mr Derek Higgs, chairman of Warburg's merchant banking operations, by Mr Ali Wambold, a partner of US investment bank, Lazard Freres.

Mr Wambold had been due to join the Saatchi & Saatchi board at the beginning of this year, but changed his mind after Mr Saatchi was removed. He is very critical of Saatchi's board and its financial advisers, S.G. Warburg, for not testing shareholders' resolve to remove Mr Saatchi by putting the issue to an extraordinary meeting.

Mr Maurice Saatchi was aware of his brother's intervention, but he did not encourage it, according to Sir Tim Bell, who is advising Mr Maurice Saatchi.

Sir Tim said that Mr Charles Saatchi wanted "every avenue to be explored" to end the war between Mr Maurice Saatchi and the company, which the brothers founded in 1970. Since Mr Maurice Saatchi was ousted, several Saatchi & Saatchi clients, such as Mars and British Airways, have said they were reviewing whether to remove their business from the company and several Saatchi executives have resigned.

Emerging markets boost Rémy

By Roderick Oram, Consumer Industries Editor

Rémy Cointreau, the cognac, liqueur and champagne maker, has bucked the flat trend of the international drinks sector with a moderate increase in half-year sales and operating profits, thanks to strong growth in emerging markets.

Net profits edged ahead only 5 per cent to FFr135.4m ($25.5m) in the six months to September with a FFr70m foreign exchange loss only partly offset by FFr52.2m of exceptional gains on disposals. Turnover rose 8 per cent to FFr2.9bn. With some 40 per cent of Rémy's sales made in the US dollar or currencies linked to it, Rémy has suffered from the currency's weakness.

Although Rémy's trading performance is meeting the board's plans, adverse currency movements would affect full-year results, the group said. Analysts downgraded net profit forecasts to around FFr260m from around FFr300m during the summer. This compares with FFr252m earned last year. The shares closed down FFr4.90 at FFr180.

Every 20 centimes rise of the franc against the dollar cuts Rémy's net profits by some FFr35m, said Mr Marc Hériard Dubreuil, joint managing director.

Turnover rose 7.5 per cent in the nine months to December and the group was looking forward to its usually strong fourth quarter which includes the Chinese New Year. About one-third of its sales are in Asia, one fifth of which are in China itself. Rémy's sales in China had been volatile but the longer-term trend "is now growing very fast", said Mr François Hériard Dubreuil, joint managing director. Cognac sales rose 2.5 per cent in the first nine months, but fell in Germany, Japan and Taiwan.

Sales volume of Famous Grouse Scotch whisky rose 14 per cent. Rémy distributes it in many countries for its minority shareholder, Highland Distilleries, and is adding Italy later this year. Champagne sales, including Krug and Piper Heidsieck brands, rose 4.5 per cent. With grape prices down by a third from their FFr32 a kilo peak five years ago, profits were up.

Operating profits rose 10 per cent to FFr394m but financial charges rose from FFr249.3m to FFr310.8m reflecting lower interest charges but also the foreign exchange loss. With debt of some FFr5bn, gearing was 100 per cent including convertible bonds and perpetual notes but 300 per cent without. Interest cover was 1.6 times but the company said it would only raise equity in the longer term.

Lex, Page 14

A stopper on illicit trade

Careful how you pour your Rémy Martin cognac in Asia or Latin America: if you overdo it, there is no way to get the brandy back into the bottle.

The French company has just taken a charge of several million francs for perfecting its counterfeit devices. It found that unscrupulous entrepreneurs in certain parts of the world were refilling old Rémy bottles with anything but the legitimate product.

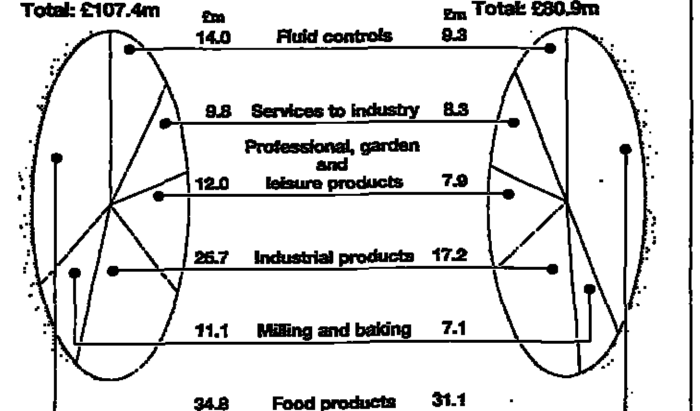
"It's like the little ball in a snorkel tube," says Mr François Hériard Dubreuil, joint managing director of Rémy, describing the deterrent. The economic incentive is huge with the rarest of Rémy's cognac's selling in special decanters at around £1,000 a piece.

Counterfeiters are the bane of many makers of distilled drinks and other luxury goods, he said. "We have heard they are now drilling holes in the bottom, filling the bottles and plugging them up. We're now looking at ways to prevent that."

Tomkins profits up 22% helped by food and stronger dollar

Foods give strength to conglomerate

Operating profits, half-year to October 29



By David Wighton in London

Tomkins, the industrial conglomerate that acquired food group Ranks Hovis McDougall in 1992, reported a 22.1 per cent rise in pre-tax profits to £114.5m ($178m) in the six months to October 29, helped by continued improvement from its foods businesses and the stronger dollar.

The group's balance sheet strengthened with a £48m rise in net cash to £204m with total net assets increasing to £934.7m.

But Mr Greg Hutchings, executive chairman, damped hopes of an imminent big acquisition hinting that smaller add-on deals were more likely.

If the company does make a large acquisition analysts believe it is unlikely to be funded with shares, given that Mr Hutchings believes that they are still underrated. He revealed that Tomkins was likely to seek a New York listing this year to increase its US shareholder base.

The figures were well above most forecasts and some brokers pushed up their full-year predictions.

The US accounted for more than half group operating profits with the companies serving the mobile and pre-fabricated homes markets enjoying their third year of recovery. Gunmaker Smith & Wesson has gained from the perceived threat of further gun controls, prompting customers to bring forward purchases.

Group operating profit rose by almost 33 per cent to £107.4m, 7 per cent of which was accounted for by a stronger dollar.

Turnover rose 17 per cent to £1.79bn and operating margins improved to 5.8 per cent. Earnings per share rose by 19 per cent to 6.59p while the interim dividend is up 17 per cent to 2.43p.

Lex, Page 14

INTERNATIONAL COMPANIES AND FINANCE

AIB in deal to invest up to I£13m in Poland's WBK

By Christopher Bobinski in Warsaw

The Allied Irish Bank has agreed to invest a maximum of I£13m ($8.28m) in Poland's Wielkopolski Bank Kredytowy (WBK) which was privatised and listed almost two years ago.

The move comes amid renewed interest from foreign banks in establishing a presence in Poland. Commerzbank and the Westdeutsche Landesbank recently took stakes in existing local banks and the Dresdner Bank/BNP venture opened a subsidiary in Warsaw. Nine foreign banks, including Citibank and Creditanstalt, have been present in Poland since 1991.

The decision by the AIB group, which has been acting as an adviser to WBK since 1992, will give the Poznan-based bank a strategic investor alongside the European Bank for Reconstruction and Development (EBRD) which has held a 28.5 per cent stake in the bank since it was privatised.

The AIB entry is to be effected through an agreement to guarantee a new WBK share issue which is due to open later this month. The issue of 11.2m shares amounts to 16 per cent of WBK's increased capital and the AIB could well be left with the lion's share of the new equity given the present low morale among local investors.

Should the issue be taken up, the EBRD has agreed to sell the AIB some of its shares to give the Irish bank at least an 11 per cent stake in WBK. The AIB has said it wants to limit its share in the Poznan bank to no more than 16.3 per cent.

The National Bank of Poland, the central bank, has yet to approve the AIB offer and the minimum price for the new share offer has not been announced.

WBK shares were yesterday trading at 6.55 zlotys, which represented a 2.2 per cent drop on the previous day's price and followed the news of the AIB move.

The current market price values WBK at 377.3m zlotys ($156m)with the EBRD stake worth 107.5m zlotys which represents a threefold increase in its original $13.8m investment. WBK reported net profits of 59.2m zlotys on a balance sheet worth 2.9bn zlotys after 11 months of last year.

Details of Vard loan revealed

By Karen Fossli in Oslo

Vard, the troubled Norwegian cruise group, yesterday disclosed further details about a $62m loan announced last Friday which enables the group to undertake a major financial restructuring and to concentrate on cruise operations.

The loan was used to pay off debt of $59m, which matured last Wednesday and was held partly by a group of foreign lenders with the group's principal Norwegian banks providing liquidity to fund the repayments.

Trading in Vard's shares recommenced yesterday on the Oslo bourse but the price closed down NKr3.50 to NKr12. The shares traded at NKr15.50 on January 6 immediately before the suspension.

Vard said $20m of the new loan was supplied by Norex America, an industrial group.

Another $2m was provided by Mega Pacific, a Norwegian company owned by Mr Terje Mikalsen, former Vard chairman. Vard said the remaining $40m of the loan was supplied by Den norske Bank, Union Bank of Norway and Fokus Bank and matures on December 31 1995 with partial repayment before June 15.

The loan will enable Vard to start work on a financial and industrial restructuring of its Kloster Cruise unit.

Vard will seek approval from shareholders late in February to issue new shares to raise up a minimum of NKr150m by June 15.

The group also plans to inject a minimum of $40m into Kloster Cruise by June 30 and to offer a secondary sale of its Kloster Cruise shares to raise another $40m by December 30.

Annual losses increase at Snecma

By David Buchan in Paris

Snecma, the French state-owned aero-engine maker, saw its losses increase and its turnover shrink in 1994, according to its new chairman, Mr Bruno Dufour. He forecast that a recovery in new orders would not come for another two to three years.

Mr Dufour, the former head of GEC-Alsthom Electromécanique, said that last year's loss was higher than the FFr692m recorded in 1993, while turnover fell to FFr10.4bn ($1.96bn) last year from the 1993 level of FFr10.9bn and new orders dropped to FFr6.6bn from FFr7.1bn in 1993.

Mr Dufour predicted Snecma would make about FFr10bn worth of sales this year and take in some FFr7bn-FFr8bn worth of new orders. This is still below the FFr9.3bn level of orders booked in 1992, prompting the loss of a further 500 jobs by the end of this year. The workforce will fall to 11,655.

He complained of the French defence ministry's pressure on the company to reduce the cost of the M88 engine it is supplying for the new Rafale fighter. It noted that the French state was letting its role as customer undermine its interest as Snecma's shareholder.

However, the price pressure on Snecma has been accentuated by Aérospatiale's admission last week that it was ready to agree to French defence ministry demands in the interest of helping the government sustain its ambitious military procurement programme.

New index planned by Paris bourse

By Andrew Jack in Paris

The Paris stock exchange is planning to launch a new market index for mid-size companies by the middle of this year, officials said yesterday.

The index – provisionally known as the "mid-CAC" – will provide a measure of the performance of the share prices of about 100 companies with market capitalisations in the middle range of all quoted shares.

It builds on the primary index of the leading stocks on the bourse, known as the CAC-40, and also two other broader-based indices launched by the market just over a year ago.

Mr Jean-Francois Théodore, chairman of the Paris bourse, confirmed that the expert panel which draws up the criteria for indices had met to discuss the mid-CAC for the first time last week.

The aim will be to offer an index which is representative of all quoted companies, excluding the blue chip businesses or those at the very low end of the market.

Mr Théodore said the aim was to launch the new index by the end of the first half of 1995. While the detailed plans are still to be agreed, it was likely to cover companies with capitalisation of about FFr1bn-FFr5bn and with a turnover of up to FFr5bn ($943m).

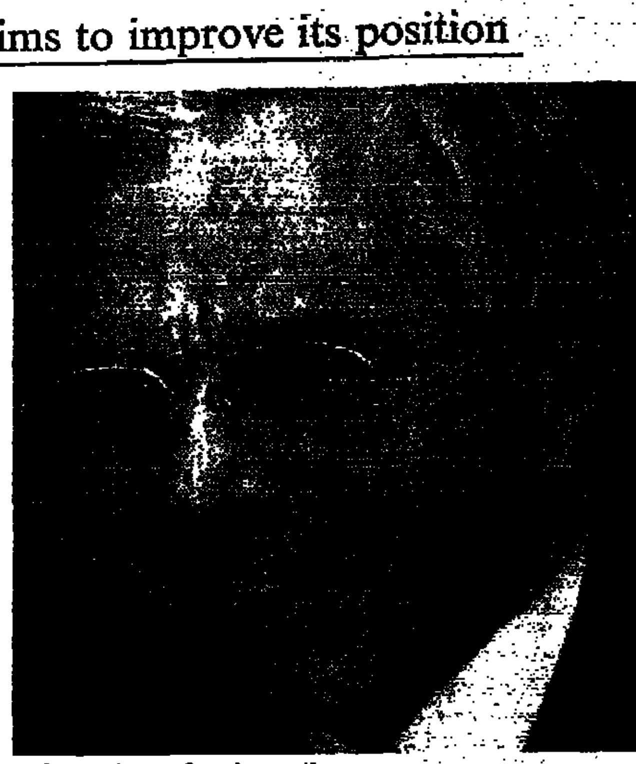
Component stocks for the bourse's indices are determined by a panel of independent experts which meets four times a year.

They met most recently last week and made a number of changes including removing Euro Disney, the Paris-based theme park operator, from the CAC-40 and adding Eurotunnel, operator of the Channel tunnel, and Renault, the vehicles group that was partially privatised last year.

The decision on whether to include companies' shares in the different indices includes an assessment of their market capitalisation, liquidity and representativeness of the different activities of the businesses quoted on the bourse.

Germany's seventh-largest bank aims to improve its position

BHF-Bank is working hard on its strategy



Wolfgang Strutz: focusing on three core areas

Changes to the group organisation may not produce profits for two years, writes Andrew Fisher

As German banks lick their wounds over last year's poor financial performance, one of their number is concentrating hard on a far-reaching change of strategy designed to increase profits sharply in the late 1990s.

This is the year that the refocusing of activity and management streamlining announced by Frankfurt-based BHF Bank last September should start to become apparent. But profits will not benefit for two or three years.

"In 1996," says a determined Mr Wolfgang Strutz, the bank's senior partner, "profits should already show a considerable improvement from the measures we are taking". BHF intends to focus more intensively on three core areas – corporate banking, financial markets and private banking – and enhance its competitive strength by concentrating on product and service quality rather than pure loan volume.

From its position as the country's seventh largest quoted bank, with group assets of DM58bn ($37.54bn) and 3,300 employees, BHF wants to become a leading European advisory bank for medium and large companies, one of Germany's top traders in domestic securities and foreign exchange, and a foremost name in asset management. It is hiring sales, trading and research specialists, reducing decision-making hierarchies and introducing performance-based salaries.

However, Mr Strutz is aware that not all observers are convinced the bank will achieve fully its ambitious aims, which will cost time and money. "I have the impression that a number of people outside the bank, including analysts, have not really recognised the opportunities we are creating for ourselves." Mr Strutz makes clear his determination, and that of the other partners, to see the new strategy pushed through quickly. "If we just let things flow along steadily and take more time, we will not develop anything like the necessary impetus." One of the most visible aspects of the bank's more dynamic approach will be its change of status from a partnership to a joint stock company, or Aktiengesellschaft (AG). Shareholders will vote on this at May's annual meeting; more than half the share capital is in firm hands, including those of the Allianz insurance group, DG Bank and Munich Re.

The move to AG status will give managers more freedom to concentrate on their specialised fields and mean that partners will no longer be personally liable for all parts of the business. By becoming directors, as in any other quoted bank, rather than managing partners, they will lose some cachet but be freed from the burden of having to watch over the whole spectrum of operations.

"We certainly give this [partnership status] up with some sorrow," says Mr Strutz. But by becoming an AG, the bank will also clear up confusion among shareholders, especially those abroad holding some 25 per cent of the shares, to whom the idea of a quoted bank as a partnership is incongruous.

The change to an AG will be one of the most significant in the bank's history. The present bank was formed in 1970 when Berliner Handels-Gesellschaft merged with Frankfurter Bank (both founded in the mid-1850s) to form BHF-Bank (Berliner Handels und Frankfurter Bank).

BHF took a bold step in 1982 by moving out of retail banking to concentrate more on its merchant banking activities. But the bank's commercial edge still needs sharpening. Hence the latest shift of strategy under which corporate loans will now mainly be offered with fee-earning products such as liquidity, risk and investment management, trade financing and corporate finance services.

To strengthen its corporate business at home and abroad, BHF will draw on its partnership with IKB Deutsche Industriebank on the lending side and with Crédit Commercial de France and Charterhouse in the UK (of which CCF and BHF own 90 per cent) on mergers and acquisitions. BHF also hopes to draw on Charterhouse's experience in bringing more medium-sized German companies to the stock market.

Yet while agreeing with such alliances and BHF's need to concentrate on its strengths, some analysts feel this could cost more and take longer than the bank expects. The results of the 1982 switch from retail banking were "sobering," says Mr Michael Klein, banking analyst at Delbrück, a Frankfurt private bank.

Compared with other German banks, BHF's return on capital is low. Mr Strutz and his colleagues want to change this. Their goal is a pre-tax return of 15 per cent (against 13.5 per cent in 1993) once the costs of the reorganisation have been met in the next two years. After that, BHF will strive towards 20 per cent.

"This is ambitious," admits Mr Strutz. But he stresses the bank is not overreaching itself. "Our aim is to improve overall profitability over the medium term." In 1993, operating profits rose by 20.5 per cent to DM323m. Last year, with bond market turmoil hitting own-account dealings and risk provisions raised after the Schneider property and Balsam/Procedo factoring collapses, profits eased by 0.7 per cent to DM265m in the first 10 months.

One analyst who has doubts about the likely benefits from BHF's restructuring is Mr Bryan Crossley at Hoare Govett, the UK stockbroker. He says a flow of rights issues has kept profitability "at rather humdrum levels"; although 1993 profits were 81 per cent higher than in 1989, earnings per share were up by only 36 per cent.

If the bank tries to make its capital work harder, this relatively poor profitability should improve. "But this is likely to be a steady rather than spectacular process," says Mr Crossley. More optimistic is Mr Thomas Radinger at Bayerische Vereinsbank, although he also points out the high costs. "I'm convinced it's the right step," he says. BHF now has two years to prove this.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Price to Trading on 17.01.95	Final Prices for Trading on 20.12.94	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	24.57	11.06	13.53
0100	28.11	29.00	31.47
0130	29.87	29.87	32.35
0200	29.87	29.87	32.35
0230	28.11	29.00	31.47
0300	28.11	11.06	13.63
0330	28.11	11.06	13.53
0400	28.11	11.06	13.53
0430	24.57	11.06	13.53
0500	24.57	11.06	13.53
0530	24.16	9.56	12.04
0600	10.07	9.56	12.04
0630	10.07	9.88	12.36
0700	31.53	29.88	32.36
0730	32.44	30.03	32.53
0800	32.81	30.67	33.24
0830	81.21	40.55	43.53
0900	34.25	42.21	45.63
0930	35.50	49.71	53.63
1000	84.19	50.48	54.48
1030	84.42	50.30	54.28
1100	38.30	43.64	47.42
1130	38.65	43.35	47.06
1200	48.87	49.04	52.71
1230	48.38	48.37	51.88
1300	47.61	47.29	50.50
1330	33.71	32.27	35.19
1400	33.17	31.86	34.66
1430	32.64	31.65	34.39
1500	32.50	31.62	34.35
1530	33.59	33.10	36.33
1600	51.59	65.86	76.88
1630	139.96	164.28	197.76
1700	295.60	299.86	350.80
1730	368.44	363.91	414.55
1800	312.71	294.39	335.03
1830	158.88	165.07	188.04
1900	79.55	89.24	100.06
1930	65.14	59.29	65.54
2000	37.37	41.89	45.31
2030	35.00	30.61	33.25
2100	34.62	30.14	32.65
2130	34.48	29.90	32.38
2200	31.31	29.98	32.46
2230	24.37	28.91	31.39
2300	24.37	29.88	32.35
2330	9.78	28.91	31.33
2400	9.78	9.88	12.36

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

©Energy Settlements and Information Services Limited

INTERNATIONAL COMPANIES AND FINANCE

End to monopoly on Canada's cable franchises sought

By Bernard Simon in Toronto

Canada's telephone companies have asked for an immediate end to cable-TV operators' government-sanctioned monopoly on cable franchises.

The call comes amid an increasingly intense tug-of-war as the phone companies and cable operators seek a competitive edge in the other's business. The Canadian Radio-television and Telecommunications Commission (CRTC) is due to start hearings on March 8 on the regulatory implications of the rapid convergence of phone, TV and computer technologies.

Last week, Rogers Communications, the biggest cable company, gained an option to raise its stake in Unitel, the phone companies' main rival in the long-distance market, from 29.5 to 67 per cent. Rogers said a decision whether to exercise the option would hinge on indications that the regulatory climate in the long-distance sector would be improved to create a more equal balance between recent entrants and the powerful Stentor consortium of local phone companies.

Stentor, whose members include Bell Canada, the country's biggest phone company, yesterday called for the convergence of rules for the phone and cable-TV industries, and the inter-connection of phone and cable networks. It promised to spend C$30m (US$21m) on the development and production of increased Canadian content on TV, plus C$20m on research and public education.

Although the phone companies held a monopoly on long-distance service until 1992 and still have the local market to themselves, they have proved agile in beating off competitors in their own sector, and driving into new businesses.

Rockwell lifts earnings 12% in first quarter

By Tony Jackson in New York

Rockwell International, the US industrial and defence group, predicts double-digit earnings growth in its current financial year. It also said its $1.6bn acquisition of Reliance Electric, due to be completed this month, is now expected to add to earnings in the first year.

The company, which makes industrial controls as well as rockets and missiles, said first-quarter earnings were up 12 per cent at 76 cents a share. Commercial and international sales made up 69 per cent of the total, compared with 64 per cent a year ago.

Sales of defence electronics were down 30 per cent due to the completion of a major contract. However, defence electronics sales for the full year were expected to be at least equal to last year's.

Sales and profits in telecommunications and avionics were depressed in the quarter, but earnings from both were expected to improve in the second half. Earnings in automation were up 76 per cent in the quarter, and in motor components by 39 per cent. Earnings in graphic systems almost doubled, helped by higher sales of newspaper printing presses.

Group sales in the quarter rose 1 per cent to $2.62bn and net income by 10 per cent to $164.7m. Rockwell's shares fell $¼ to $36½ in early trading.

Microsoft settlement faces court challenge

By Louise Kehoe in San Francisco

Microsoft's anti-trust settlement with the US Justice Department is to be challenged by lawyers representing the company's competitors and customers at a court hearing in Washington DC on Friday.

The anti-trust settlement, arrived at last July after four years of investigation by the Federal Trade Commission and the Justice Department, requires court approval. The normal period for comment from other interested parties has passed, so the settlement had been expected to be approved by the court without further debate.

However, in an unusual move, Judge Stanley Sporkin, who is hearing the case, has invited two lawyers – one representing a Microsoft customer and the other an unnamed group of competitors – to present their views.

Both lawyers have previously submitted written protests, arguing that the settlement fails to increase competition in software.

Mr Gary Reback, who is representing the unnamed competitors, has filed a brief alleging that Microsoft is using its dominance in PC operating systems to gain ground in other sectors of the software market.

Microsoft denies these charges and maintains that all aspects of its business were thoroughly investigated by the Justice Department. "There have been ample opportunities for anybody to share their concerns with the court or the government. This is a 13th-hour action," it said.

Under the proposed settlement, Microsoft will modify the terms under which it licenses computer manufacturers to use operating system software.

Finnair cashes in on niche market operations

Share offer aims to capitalise on its strong position, says Christopher Brown-Humes

Ask Mr Antti Potila, Finnair president, whether his small airline in remote northern Europe can compete successfully against the giants of commercial aviation in an increasingly liberalised market and he replies unhesitatingly: "Of course we can. Size isn't decisive. It's efficiency that counts."

Finnair – dubbed "the Alaska Air of Europe" by one analyst – can claim to be one of the continent's most efficient state-controlled airlines after a tough cost-cutting programme that has helped to power a strong return to profitability.

But the reasons for its success go deeper. "It is a nice little niche operator in a market which others don't want to attack," says Mr James Halstead, aviation analyst at Swiss Bank Corp in London.

Finnair is looking to capitalise on this position, deciding to offer up to 12m new shares to domestic and international investors. The aim is to raise around FM500m to strengthen its balance sheet and help fund a FM1.7bn programme to replace its ageing DC-9 fleet with second-hand MD-80s. The move could cut state ownership in the company to 60.7 per cent from 71.5 per cent as part of the government's ongoing privatisation programme.

The company's ambitions are supported by the turnround in its financial performance. After three years in the red, it made a FM119m ($25m) profit in the year to March 1994 and is set to register even better figures in the current fiscal year.

The performance has been helped by cost-cutting, which has raised productivity sharply and lowered staff numbers from 11,400 to 9,500 over four years.

But the airline is also benefiting from the strong recovery in the Finnish economy, where it has a de facto monopoly, and from the rapid expansion of business to destinations in the Baltic states and Russia. In its last financial year, the airline carried 218,000 passengers to or from the former Soviet Union, compared with 133,000 four years earlier.

The development of this business has also benefited Finnair's international traffic and enhanced Helsinki's position as a gateway hub.

Finnair has an alliance with Lufthansa, the German airline, but it has steadfastly eschewed any partnerships which might compromise its independence. Indeed, it bailed out of an alliance with SAS, Swissair and Austrian Airlines four years ago precisely because it feared it might lead to a loss of independence.

The airline also co-operates with two smaller airlines, Sweden's Transwede and Denmark's Maersk, to help it build up business out of Stockholm and Copenhagen. In particular, it is looking to develop Stockholm as a secondary hub to enable it to exploit opportunities offered by the liberalisation of the EU's commercial aviation market.

Finnair, Europe's 14th largest airline, maintains it has more to gain than lose from EU liberalisation. "We don't think any of the big airlines will be interested in coming into the Finnish domestic market where tariffs and volumes are low," says Mr Potila. But he admits that Finland's geographic position on the edge of Europe is also a helpful deterrent.

The airline's strategy could be unsettled by a sudden surge in instability in Russia, although Mr Potila insists this could also work to Finnair's advantage if it deterred other airlines from entering the Russian market.

A further uncertainty is the future strategy of Scandinavian Airlines System (SAS), Finnair's main Nordic competitor, which is reviewing its own alliance arrangements. If SAS opted for Lufthansa as its partner, there would certainly be implications for Finnair, although the effect could be to draw all three into closer co-operative arrangements.

Analysts believe Finnair has a promising future providing it remains a niche operator. But problems could arise, they warn, if it decides to expand beyond the niche.

Such ambitions would almost certainly force it to strike a deeper alliance with another airline than it has been prepared to countenance until now. At that point the small size of the Finnish group's home market could prove a handicap if it does not seem an attractive commercial opportunity.

First Interstate income increases 36%

By Richard Waters in New York

Shares in First Interstate climbed $2¼ to $73¾ yesterday morning as the California-based regional banking group beat all but the most optimistic market forecasts with a 36 per cent jump in after-tax income in the final quarter of 1994.

The bank's earnings were underpinned by a steady turnround in the California economy, which accounts for half of its business.

The results also continued to benefit from last year's restructuring, as the bank cut costs by centralising parts of its operations.

What small cost increases were seen last year were largely due to the nine acquisitions made during 1994, First Interstate said. Non-interest costs, excluding a $141m restructuring charge, rose only 1 per cent, to nearly $2.1bn.

Total revenues climbed 14 per cent to $3.4bn, fuelled by a 19 per cent rise in average loans and leases and a 23 basis point improvement in the bank's net interest margin, to 5.14 per cent.

Fourth-quarter net income was $212.7m, of $2.65 a share, up from $155.4m, or $1.90. Full-year net income was $733.5m, or $8.71 a share, down $736.7m, or $8.96. The 1993 figures benefited from a $200m credit from an accounting change.

Higher costs force Goodyear to raise prices

By Richard Waters

Goodyear, the US tyremaker, led another round of price rises in the US yesterday as it announced increases of between 3 and 5 per cent.

However, the rises, which affect only replacement tyres, are being prompted largely by higher costs and are unlikely to lift the company's profit margins, analysts said.

The latest increases, to take effect on February 15, follow an earlier round of price rises last October, also led by Goodyear. At that time, replacement tyre prices went up by between 2 and 4.5 per cent.

Goodyear, like other manufacturers, has faced sharply higher natural rubber prices, due in part to poor crops in Asia which limited supply last year.

The company also agreed a new contract with the United Rubber Workers union last year which guaranteed hourly paid workers a pay rise of 16 per cent over three years.

Tyremakers have been under pressure from US automotive manufacturers to hold down prices of tyres for new vehicles.

However, the higher-margin replacement tyre market accounts for about three-quarters of tyre sales, allowing Goodyear and others to recover much of their higher costs.

CNA acquires Alexander offshoot

By Richard Waters

Alexander & Alexander, the world's second-largest insurance broker behind Marsh & McLennan, took another step in its restructuring programme under way since last summer with the sale of an administration company for $45m.

The sale of Alexsis, to CNA Financial, follows the $30m disposal of the company's personal lines business in the US late last year for $30m.

Profits from the sales will partly offset charges from cost-cutting and other events. A&A has warned it will show "a significant loss" for 1994. Costs of settling or building reserves against outstanding lawsuits are expected to result in some of the biggest charges.

Slimline Tisco bolsters takeover defences

India's biggest private steel group is modernising and rationalising, says **Kunal Bose**

A few years ago it would have been unthinkable, but in India's new business environment, the possibility of a hostile raid on Tata Iron & Steel Company (Tisco), the country's biggest private-sector steel group, can no longer be ruled out.

The Tata grouping's low equity holding in Tisco has made the company, with its turnover of nearly Rs40bn ($1.27bn), vulnerable. Aware of this, Tisco is rushing to modernise production against a backdrop of declining import protection. The Tata group, India's largest conglomerate, is raising its stake from a little over 7 per cent to 15 per cent.

If the strategy succeeds, Tisco will provide a good example of how India's economic reforms have wrought a transformation in one of its older, more hidebound industries.

Tisco has made a preferential allotment of 30m warrants to the Tata group of companies which can be converted into an equal number of shares by April 1996. Tisco's main defence is the nearly 44 per cent holding by the government-owned financial institutions and banks.

Since Mr Swraj Paul, chairman of the UK-based Caparo group, made an abortive bid for DCM and Escorts, two Indian industrial groups in 1984, the Indian federal government has supported the existing managements provided they have a good track record.

But the times are changing and the Tata group can no longer afford the luxury of running Tisco with a small shareholding.

Tata is raising its stake in Tisco to 15 per cent, but even that would be no guarantee against a hostile raid

"We no doubt will feel better with 15 per cent equity than the present 7 per cent," said Mr J.J. Irani, managing director. Even a 15 per cent shareholding would be no great insurance against a hostile raid, though, since more than 43 per cent of Tisco's equity is held by the public.

Tisco believes it needs stability of management and ownership as it continues to spend heavily on modernisation and capacity expansion to meet competition from imports and from other producers which are setting up plants in India's liberalised steel market. Only when this is complete will it be properly secure against attack.

The investment of nearly Rs50bn in three phases, completed in October last, has modernised Tisco's steel factory at Jamshedpur in Bihar and raised the plant's capacity to 2.7m tonnes.

Tisco will continue to invest Rs10bn a year for three more years to modernise the plant completely and take the capacity to 3.6m tonnes. Without this kind of investment, Tisco, which is thought to have raised its share of the Indian steel market to 14 per cent from 11 per cent in the first half to September 30 1994, would have been "marginalised if not eliminated", Mr Irani said.

Modernisation alone would not have helped, had Tisco not transformed itself from a manufacturer in a protected seller's market to a market-driven company in a buyer's market. In the process, the Indian consumer is finally getting a better deal.

For many years, the Indian steel industry had operated on a cost-plus basis.

"Nobody was really concerned about cost. The entire emphasis was on production. But the removal of protection from imports meant that margins can be improved only by reducing cost and changing the product mix. For the first time in many years, the cost of production at Tisco declined last year. And the trend is continuing this year," Mr Irani said.

The biggest challenge will be to reduce the wage bill, which constitutes 17 per cent of the production cost. Tisco is saddled with more than 27,000 workers at its older Jamshedpur factory, whereas Essar's 2m tonne steel plant fast nearing completion at Hazira in Gujarat will make do with 1,200.

Tisco has phased out its plate mill, wheel and axle plant and a heavy structural unit which did not offer economies of scale.

"We have decided to dedicate 66 per cent of our steel-making capacity to flat products for which the demand is growing fast. The balance capacity will be used to make long products," said Mr Irani.

The product mix has been reorganised to maximise profit. The long-term objective of Tisco, which has managed to withstand competition from imports in spite of the progressive reduction in tariffs, is to maintain its share of the domestic steel market and emerge as a significant exporter.

However, lack of infrastructure means capacity at Jamshedpur cannot be expanded beyond 3.6m tonnes. Tisco will therefore build a steel plant with an initial capacity of 2m tonnes to 2.5m tonnes on India's west coast.

All the five coastal states are wooing Tisco to get the new plant. Tisco has told its consultants to identify a site which will allow the proposed plant to achieve an eventual capacity of 10m tonnes.

A coastal base will facilitate both the import of coal and and the export of finished steel. Moreover, the west and the south are India's main steel consuming centres.

Tisco's critics describe the company as old and flabby. They say it cannot prosper in a competitive environment. But the company managed a sharp increase in the company's net profit to Rs1.8bn during the year to March 31 1994, from Rs1.27bn in 1992-93. Sales and profit have continued to grow strongly in the current year.

With his new plant Mr Irani may yet prove his critics wrong.

Gengold declines 17% in December quarter

By Mark Suzman in Johannesburg

Gengold, the company that runs the gold mines in the stable of South African mining house Gencor, posted a sharp drop in earnings in the quarter to the end of December.

The group suffered from industrial unrest, a lower gold price and technical problems at some leading mines.

After-tax income dropped 17.1 per cent to R105.1m ($29.8m) compared with R126.8m in the previous quarter.

Distributable income fell 35.5 per cent to R55.9m, down from R86.7m, as capital expenditure rose 22.7 per cent to R49.25m, up from R40.1m.

Mr Tom Dale, general manager for finance and administration, said that the poorer results were largely due to a drop in the average gold price received, which fell to R43,927 from R44,631, combined with an "unsettled industrial relations climate" which affected production.

As a result, overall gold production across the group's mines fell 4.5 per cent on the quarter to 1,669 kg from 1,748 kg as the average yield achieved dropped 5.9 per cent to 5.4 grammes/tonne, down from 5.7 grammes/tonne.

Meanwhile, working costs rose 4.9 per cent to R33,654/kg from R32,097/kg while working revenue dropped 6 per cent to R73,424/kg compared with R78,094/kg.

Mr Dale warned that given the current uncertainty in the gold market as well as the increased number of public holidays faced by gold mines over the coming year, the bottom line was unlikely to pick up in the near future.

However, he said he was optimistic that labour relations would start to improve as unions regained control over members.

Of the group's mines, Beatrix performed particularly well. It increased production slightly to 3,316kg from 3,304kg while managing to reduce working costs to R24,432/kg, down from R25,082/kg in the previous year.

As a result, after-tax income improved to R33.1m compared with R31.3m and distributable income also increased, to R19,404/kg compared with R17,678/kg.

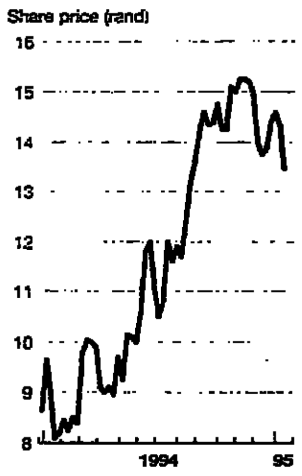
However, the ageing Buffelsfontein mine had a poor quarter, due largely to faulting and seismic activity, as production dropped to 2,394kg, down from 2,836kg in the previous quarter and well down on the 3,500kg achieved a year ago.

As a result, Mr Dale said that the mine's workforce would be reduced to 5,000 from its current 6,500.

He warned that, given the lack of accessible new deposits, the best outlook for the mine was a further 24 months of underground operations and the likelihood was that the mine would shut down some time before that.

Gencor

Share price (rand)



Source: FT Graphite

NEWS DIGEST

Record sales and production levels at Benetton

Benetton achieved record levels of production and sales during 1994, helped by a continued policy of price-cutting, the Italian clothing group announced yesterday, writes Andrew Hill in Milan.

The company said the number of garments produced and marketed around the world last year increased to 64.5m, compared with 57.3m the previous year.

In 1992, Benetton adopted a policy of price-cutting around the world to fight the international recession in consumer demand. In September, Benetton announced that half-year net profit, for the six months to the end of June 1994, rose only slightly to L100.5bn ($62m), compared with L98.6bn in the equivalent period. First-half operating profit was down 8.5 per cent.

Benetton said yesterday the price-cutting policy had increased market share and improved competitiveness. It said rationalisation of its production activity, including investment in high-technology manufacturing and despatching equipment, had helped.

Strong demand for Thai power group flotation

Demand was strong on the first day of trading for Thailand's Electricity Generating Company, the country's first electricity company flotation, writes William Barnes in Bangkok. The share price soared to Bt60 at the close, compared with an initial offer price of Bt22.

Investors scrambling to join Thailand's rapidly expanding electricity industry – where demand is climbing at more than 10 per cent a year – drove Egco's price/earnings ratio up to 38 times its prospective 1995 earnings and 34 times prospective 1996 earnings. Asian energy stocks normally trade on an average price/earnings ratio of 20.

Trading in Egco, which is a 48 per cent subsidiary of the state-owned Electricity Authority of Thailand, accounted for 48 per cent of the Bangkok market's total turnover of Bt10.8bn ($429m) yesterday.

The company ended with a market capitalisation of more than Bt31bn

SA platinum producer in R500m rights issue

Northam, the struggling South African platinum producer, yesterday released details of its R500m ($142m) rights issue, announcing that shareholders would be given the right to subscribe for 20,448,000 linked units consisting of five shares and one option, writes Mark Suzman.

Each unit will sell for R25 while each option will give the holder the right to buy a further share before December 1997 at R7.50.

The company also released details of its most recent technical assessment, which calls for a revised production target of milling 110,000 tonnes of ore a month, well down on its original target of 150,000 tonnes a month. At the new level, the assessment suggests that, given a platinum price of $420 an ounce, the mine should be able to realise a small profit during the 1996 financial year.

However, management said given that the mine's extensive reserves, estimated at 100m ounces, any sizeable rise in the platinum price would have a significant effect on production levels and profit.

Sharp drop at Highlands Gold

Highlands Gold, the Papua New Guinea-based mining group which is controlled by Australia's MIM, announced a sharp drop in first-half profits, to K4.01m ($3.6m) in the six months to December 11, writes Nikki Tait in Sydney. This compared with K12.1m in the same period of 1993-94.

Sales fell to K40.1m from K52m, and operating profits, before tax and exchange losses, fell to just under K7m, down from K20.6m.

Highlands said the figures had been affected by the blast at the explosives depot adjacent to the large Porgera gold mine, in which 11 people were killed last August.

Gold production contribution from Porgera was 102,459 ounces, compared with 147,108 ounces in the first half of 1993-94.

Lurgi pays Cominco C$18m to settle claim

Lurgi, the German engineering group, has paid Cominco C$18m (US$12.7m) to settle claims over the failure of a new lead smelter installed at the Canadian metal group's metallurgical complex at Trail, British Columbia, writes Bernard Simon in Toronto.

The smelter, using Lurgi's QSL technology, was shut down three months after it began operations at the end of 1989, due mainly to problems in the reduction chamber of the smelter's 40-metre reactor.

Cominco abandoned the QSL technology, and wrote down its investment in the smelter by C$50m. It is rebuilding and modernising the facility at a cost of C$145m, using the Russian-developed Kivcet process.

According to Cominco's latest annual report, each company alleged that the other was "in fundamental breach" of the Trail smelter contract. Lurgi is a subsidiary of Metallgesellschaft, the troubled German industrial and metals group.

Revenue rises at Philips

Philips, the Dutch consumer electronics group, said sales in 1994 were about Fl 61bn ($35.7bn), up from Fl 58.8bn in 1993, Reuter reports from Eindhoven. Mr Jan Timmer, president, said the sales figure was satisfactory in view of the continued pressure on selling prices and the gradual recovery of Europe's economies. Philips' full figures for the year will be announced on February 22.

Caltex raises its profile in Sumatra

Chevron-Texaco joint venture is reorganising, writes Robert Corzine

International oil companies have always had diverse interests, although few go so far as to list bird and butterfly gardens among their ancillary activities.

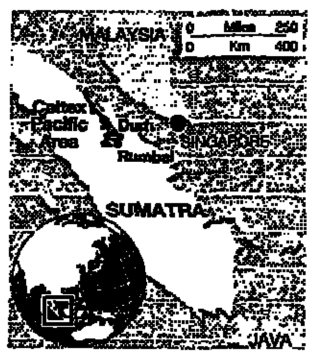
But for PT Caltex Pacific Indonesia (CPI), the joint venture between Chevron and Texaco of the US that operates in the remote rain forests and swamps of central Sumatra, the provision of parks, hospitals, mosques, housing and other social infrastructure has long been part of its mainstream operations.

Caltex's prominent role in Sumatra contrasts with an otherwise low public profile. Such a strategy has been deliberate even though Caltex dominates Indonesia's oil production and is a big contributor to the US parent companies.

But the company has recently raised its profile, partly because it faces growing competition for capital from its shareholders. Late last year a group of US energy analysts from Wall Street institutions made their first visit to the sprawling Sumatran operation.

Caltex's 6,400 employees and 18,000 contractors operate across a wide swathe of Sumatra. Production from more than 100 fields, including giants such as Minas and Duri, averages 720,000 barrels a day, about half of Indonesia's total output and equivalent to just over a quarter of total UK North Sea output.

The company, which operates as a production sharing contractor to Petromina, the state oil company, provides 10 per cent of Indonesian government revenues. Its relatively low cost output accounts for



about a fifth of Chevron's worldwide production and 16 per cent of Texaco's total output.

CPI is run separately from Caltex Petroleum, a sister company involved in refining and marketing in Africa and Asia, although the downstream division buys crude oil from it.

Analysts say that the overall Caltex collaboration is one of the oldest and most successful joint ventures in the international oil industry.

CPI's success and relative isolation, however, has not made it immune to the changes sweeping the international oil industry.

The company "camps" at Rumbai and Duri, actually small towns, each with populations of more than 10,000, which may resemble sleepy, middle-class suburbs in the American South circa the 1960s. But the gossip among the Indonesian and American managers is dominated by the international oil industry's obsession with restructuring and greater efficiency.

"The old functional structure was inhibiting our ability to work together," said Mr James Haven, senior vice-president in Sumatra, in explaining why the company has chosen to reorganise into strategic business units.

Caltex, for example, is the second-largest power generator in Indonesia. The complex task of building roads over hundreds of kilometres of swampy ground led to the creation of an extensive civil engineering division with the largest fleet of Mack dump trucks in the world.

"There's not many people in the world who can move dirt like we can," says Mr Haven.

Caltex looked to its US parents for possible models for restructuring. But political and cultural considerations in Indonesia mean one US innovation that cannot be imported is lay-offs and pay cuts.

"At the same time we have to be profitable for shareholders and maintain oil production for the nation," notes Mr Haven. "From a business point of view that causes a huge gulp."

Caltex has so far not set specific targets for cost savings. That might be explained by lingering worries among employees that "empowerment" for some really means redundancy for many others.

But company managers say at this stage of the reforms they are more interested in the efficiency gains which they hope will flow from organisational changes and the increased use of contractors.

They also hope the emphasis on greater efficiency will stand the company in good stead when approaching Chevron and Texaco for additional capital.

Although Caltex has 6bn barrels of recoverable reserves in Sumatra, most of it is heavy oil that can only be produced using capital intensive and technologically complex "enhanced oil recovery" techniques.

At Duri, massive amounts of high pressure steam generated by burning 60,000 barrels of oil a day are injected into the ground in the biggest "steam flood" project in the world.

About $1.3bn has been spent so far. But the project, which has taken Duri production up to 300,000 b/d compared with an unassisted peak of 60,000 b/d in the 1960s, is only half complete and will consume $3bn in capital over its 20 to 30-year lifetime.

The scheme will eventually use 400 steam generators and cover more than 7,000 hectares, with 2,000 miles of pipelines connecting 4,500 wells with gathering and processing stations.

Even so, the total operating expenses per barrel of Duri are considerably less than the US average, though not quite in the $2-$3 a barrel league of the cheapest Middle East producers.

There is little chance that any new giant fields will be found in Caltex's operational area. But the company remains confident that with steady flow of capital it can continue to produce substantial amounts of oil up to and perhaps beyond the end of its current contract in 2021.

Czech brokers move on reporting

By Vincent Boland in Prague

Czech brokerage houses are proposing a move to increase the transparency and efficiency of share dealing on the Prague stock exchange, the largest in eastern Europe, by reporting all off-market share transactions on the day they happen.

Off-market or over-the-counter share-trading among brokerage houses often accounts for up to 80 per cent of daily transactions.

Many of these deals are not reported to the exchange for several days, depriving the market of important price and volume information. Such reporting is also subject to delays and double-counting.

Brokers are proposing a voluntary system which would ensure all OTC trades are reported to the stock market on the day they happen, and are made public through newspapers and financial wire services. The plan is modelled on the rules for reporting OTC trades drawn up by the US National Association of Securities Dealers.

"We believe that this [proposal] will serve to bring a great deal more openness to stock trading" in the Czech Republic, said Mr Michael Hobbs, director of Atlantik Financial Markets and a leader of the traders' group implementing the proposal.

At least 15 of the country's stockbrokers have agreed to implement the new rules. These include Wood & Co, the country's biggest brokerage, and the stock-trading arms of CS First Boston, Citibank, ING Bank and the main Czech commercial banks.

The initiative has the backing of the stock exchange authorities. However, its plan to use a new bourse subsidiary, the Czech Capital Information Agency, as the reporting agent has met with reservations from some brokers concerned about the agency's lack of independence.

Mr Hobbs said the ministry of finance was also enthusiastic about the plan, but had withheld official support because "it doesn't want it enshrined in law".

The new rules, which assenting brokerage houses hope will become standard practice among all brokers, should be drawn up by the end of January. They could be in force in time for trading in the second wave of coupon privatisations.

Polygram lifts stake in Music India to 51%

Polygram, the music and film group, has raised its stake in Music India to 51 per cent from 40 per cent by acquiring new shares in the Bombay-based record company, Reuter reports from Amsterdam.

The unit has been renamed Polygram India.

Mr Norman Cheng, Hong Kong-based Polygram Asia president, said India's population and improving economy made it an exciting market.

"With compact disc penetration still at an early stage there, and following recent amendments to the Copyright Act which will help curb music piracy, we believe India represents great potential for Polygram," Mr Cheng said.

Polygram is the 75-per cent owned by Philips Electronics.

URS acquires privately-held transport engineering group

By Andrew Baxter

URS, the California-based engineering and environmental services company, has made its first acquisition since nearly going bankrupt in 1989 after an ill-considered diversification effort.

The San Francisco company, which has been extensively restructured and refocused under new management, is acquiring privately-held E.C. Driver & Associates, a Florida-based transportation engineering company.

Terms were not disclosed, and Driver had gross revenues last year of only about $5m. However, the deal is an important step for URS, which has 12-15 per cent of its shares held in Europe, mainly by UK institutions.

Mr Martin Koffel, URS chairman and chief executive, said in London the deal was a "prototype" for a number of small bolt-on acquisitions it hopes to make, to improve its range and geographic spread in the US.

URS, he said, was hoping to make a similar acquisition in Illinois, where it has no presence, and "one or two" takeovers to expand its position in California.

The Driver deal doubles URS's presence in Florida, where infrastructure spending is growing fast, and will benefit the group's earnings immediately. Driver has a special expertise in bridge and highway design, particularly movable bridges, which URS hopes to use across the US.

Mr Koffel said it was difficult to make a "global statement" about the effect on the company's business of the Republican victory in November's congressional elections.

There were some pluses and minuses, but URS would in any case try to increase the private sector's share of its business from the current 15 per cent.

The company last month reported net income of $4.4m for the year ended October 31, on revenues of $164.1m, up sharply from $1.3m and $145.8m respectively in the previous year.

COMPANY NEWS: UK

After market withdrawal, portfolio liquidated with sale to Merrill Lynch

Warburg sells out of eurobonds

By Nicholas Denton and Martin Brice

SG Warburg, the UK investment bank, has liquidated most of its portfolio of eurobonds following its decision last week to pull out of the market.

Warburg said yesterday it had held an auction of the securities which was won by Merrill Lynch, the US investment bank and the largest eurobond manager. Warburg invited bids from Merrill and just one European bank on the day it announced its withdrawal and 180 redundancies.

Merrill Lynch bought eurobonds worth $350m, including all of Warburg's eurodollar holdings and bonds denominated in other currencies. It said it had already disposed of 95 per cent of the paper.

Warburg said the process was now complete. "That is now history", an executive said. Warburg is credited with founding the eurobond market in 1963, making its withdrawal from the market particularly significant. An investment banker close to the transaction said Warburg had to move rapidly because it would have found it harder to get a good price with a gradual, more public liquidation.

Warburg, which intends to focus on sterling bonds directed towards UK institutional investors, did not sell sterling-denominated securities in the transaction.

The liquidation deal is further evidence that Warburg is fully committed to withdrawing from eurobonds, despite market speculation to the contrary, prompted by the fact that its executives have not yet stepped down from various euromarket industry associations. The bank was absent from Republic of Finland's 15-year £250m eurosterling issue, launched last week.

The individual elements in Warburg's portfolio were small, with the largest package of bonds from one issue valued at about $30m.

Warburg ran the books last year for a $200m bond for SmithKline Beecham, the US-UK pharmaceutical company, and reportedly retained a significant part of the unsold securities. However, Merrill said yesterday its package did not include SmithKline bonds – contrary to reports that it had acquired $100m of the securities.

Warburg is also pulling out of government bonds in some continental European currencies but analysts said it would have less difficulty unwinding its positions in what were more liquid markets.

Goldman cuts jobs, Page 8

Margins squeezed at House of Fraser

By David Blackwell

Shares in House of Fraser fell to their lowest level since the department store group came to market in March, after its Christmas trading statement warned of margin erosion.

Three stores in the north of England will be closed at a cost of £2m, reducing the chain to 52 stores. The equivalent of 250 full-time jobs will be lost.

The shares, floated at 180p, closed yesterday at 167p, down 3p on the day. City analysts, who were predicting profits of more than £45m at the float, reduced their forecasts for the second time in 12 months to between £38m and £40m.

In contrast, shares rose 4p to 213p at Allders, the department store and tax and duty free retail group which floated in 1993. The group said sales in the department store division were 5.8 per cent up in the 15 weeks to January 14.

Mr Richard Scott, House of Fraser finance director, said the warm weather in the autumn had had "a substantial effect" on the sales of winter clothing, leading to heavy discounting. Prices of some winter coats and sweaters had been cut by up to 20 per cent.

In September, when announcing an interim loss of £4.5m, House of Fraser said that August sales were down.

Yesterday's statement said that the second half, which started at the beginning of August, had been slow right up until December. In the six weeks to Christmas sales were 10 per cent ahead on the previous year. The January sales had started well, but had then softened to normal levels.

The Binns stores in South Shields and Bridlington and the Rackhams store in Bradford will be closed.

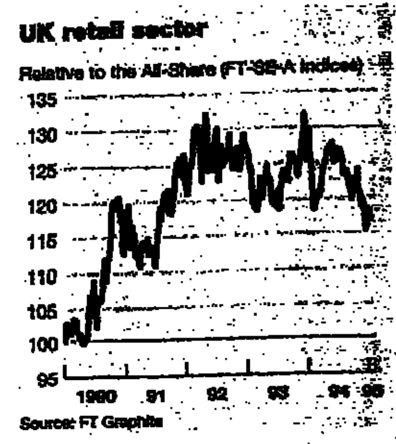
Allders, which is less dependent than House of Fraser on fashion clothing, said its sales growth in December was 7.2 per cent, with like-for-like sales in the first 15 weeks of its financial year 4.3 per cent ahead. Mr Tony Collyer, finance director, said the group had had to work hard in a difficult market, but had been able to achieve increases without sacrificing margins.

LEX COMMENT

Respite for retailers

Contrary to retailers' fears, Christmas was not cancelled last year. Over the past fortnight one trading statement after another has made clear that the traditional pre-Christmas surge in sales took place more or less as usual.

If this suggests that retailers' pre-Christmas complaints should in future be taken with a pinch of salt, it does not mean that investors should be less sceptical about the sector. House of Fraser said yesterday sales had softened as January progressed, a picture likely to be reinforced when other retailers, notably Marks and Spencer and Kingfisher, issue their trading statements. If so, the resurgence in sales in the run-up to Christmas will prove only a temporary respite for a sector dogged by fierce competition and the unfamiliar difficulties of extracting growth in a low inflation environment. Earnings growth is set to be pedestrian and it is appropriate that the sector, excluding Marks and Spencer, has shed its premium rating and now stands on a market multiple for the current year. The notion that stores will regain their premium rating in the run-up to the next general election as the government stokes up a consumer boom looks



fanciful – they would suffer along with the market if the Tories attempted an outrageous electoral bribe. But large, cash-generative companies like M&S and Great Universal Stores will retain their defensive qualities. Those retailers with a proven recovery record, such as Next and Storehouse, may also outperform.

Leeds buys £300m mortgage portfolio

By Alison Smith

Leeds Permanent, the UK's fifth largest building society, is buying five residential mortgage businesses with gross assets of more than £300m from London & Manchester, the life insurance and financial services group.

Leeds is paying about £16m in cash consideration, with the exact price to be determined according to the size of the mortgage book when the deal is completed early in March.

The gross mortgage assets totalled £333m at the end of last year, but Leeds expects this to have fallen to about £310m on completion.

Leeds said there are about 10,000 main accounts with the mortgage subsidiaries, but the borrowers will not become members of Leeds, and so will not have an opportunity to vote on the planned merger with Halifax Building Society, the UK's largest mortgage lender. As non-members, they are also unlikely to qualify in the share distribution that would follow the enlarged Halifax's conversion to a public limited company.

The purchase is Leeds' first acquisition of this type, though it reflects a trend which last year led several large lenders to buy the mortgage books and businesses of centralised lenders who entered the market in the mid- to late 1980s and stopped offering new home loans during the recession of the early 1990s.

Mr Ian Stewart, general manager of the Leeds' treasury operation, said that in time the society would expect to bring the mortgage rates paid by L&M borrowers into line with those paid by Leeds' members.

About four fifths of the L&M mortgage borrowers are currently paying a standard variable rate of 9.15 per cent: Leeds' standard variable rate is 8.14 per cent.

The business made a trading profit of £846,000 in 1993. Neither party would disclose the amount of mortgage arrears within the portfolio, though both said the extent of arrears was falling. The last published figures, for 1993, showed a £300,000 rise in provisions for bad and doubtful debts to £9.7m.

Acquisition helps Carclo Engineering to 41% growth

By Tim Burt

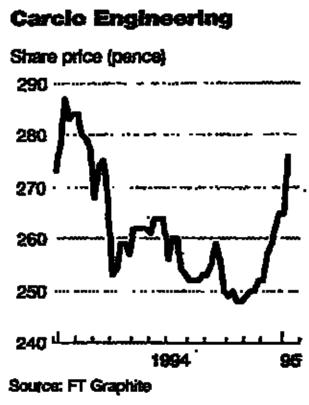
Carclo Engineering Group, the specialist steel and industrial wire manufacturer, shrugged off volatile demand and rising raw material prices by yesterday reporting a 41 per cent increase in first-half profits.

The Sheffield-based group saw pre-tax profits grow from £5.19m to £7.29m ($11.37m) following the first six-month contribution from Arthur Lee, the steel and plastics manufacturer acquired for £55m in 1993.

Buoyant sales from the Lee subsidiaries helped lift turnover by 30 per cent to £85.5m (£65.6m) in the six months to September 30 – offsetting slowing demand in card clothing, the division which makes teeth for fibre combing machines.

"Arthur Lee has proved an excellent acquisition and helped us maintain healthy margins compared with other engineering groups," said Mr John Ewart, chairman.

Operating profits, meanwhile, rose from £4.89m to £7.46m – including £457,000 from RSR, the springs and chassis distributor sold for £6m last September.



Although the group incurred a £1.9m loss on the RSR disposal, Mr Ewart said the costs had been fully covered by the group's £9m rationalisation provision, of which it has £6.7m remaining. As part of that rationalisation, it has decided to close card clothing's Belgian plant, where overcapacity contributed to lower profits of £1.12m (£1.35m).

Among the other divisions, profits rose to £2.57m (£1.78m) in general engineering and to £1.79m (£1.46m) in the wire division. Lee steel was virtually static at £2m (£2.15m).

Earnings per share rose 19 per cent to 8.2p (6.9p) and there is a sharply increased first-half dividend of 3.2p (1.9p) to reduce disparity.

● **COMMENT**

Had it not been for Arthur Lee, the prospects for Carclo would be less rosy. Margins in card clothing have shrunk from about 50 per cent four years ago to just over 11 per cent, and a return to those levels looks unlikely despite a recent pick up in orders. In the first half, therefore, the Lee subsidiaries proved something of a safety net. Thanks to a near monopoly position in some markets, they succeeded in passing on higher raw material prices and ensured steady profits growth. The shares rose 11p to 256p in thin trading. But on a forward multiple of 15.6 – a 10 per cent premium to the sector – they probably already reflect the upside potential for a company expected to make profits of about £15.7m this year.

Cost cuts help Eurocamp to beat forecasts with £8.65m

By David Blackwell

Shares in Eurocamp rose yesterday as the tour operator specialising in self-drive camping holidays reported profits ahead of forecasts.

Pre-tax profits rose from £6.25m to £8.65m for the year to October 31. The market had been expecting about £8.5m – still below the £9.2m achieved in 1992. The shares closed 18p higher at 270p.

Turnover rose from £56.7m to £70.2m after better bookings in all main parts of the business. While prices held steady, the cost incurred per booking fell by 5 per cent through better marketing, with UK overheads down 9 per cent through efficiency improvements.

Net margins rose from 11 per cent to 12.3 per cent. Eurocamp does not expect, however, to return to the 15 per cent margins of a couple of years ago, preferring to feed any further cost savings into lower prices.

Mr Richard Atkinson, managing director, said the group had succeeded in selling more nights in its mobile homes, which attract higher margins than the traditional tent business. Mobile homes accounted for 25 per cent of bookings and 35 per cent of turnover.

Bookings for the current year are 10 per cent ahead on the same time last year. "The market is a bit difficult", Mr Atkinson said. "But our expectation is that the late market will be fairly strong."

● **COMMENT**

A much improved performance points to better things to come this year, particularly if the trend towards mobile homes can be maintained. Bookings from outside the UK were well ahead last year, leading to better capacity utilisation. While the holiday market looks set to be difficult this year, it is worth remembering that Eurocamp's family customers tend to book early, and there is a high proportion of repeat bookings. Forecast profits of £9.9m this year put the group on a prospective multiple of 10.5 – perhaps marginally undervalued – and a prospective yield of well over 5 per cent.

Richard Atkinson: selling more nights in mobile homes

Arjo set to raise Paris profile

By John Ridding in Paris

Arjo Wiggins Appleton, the Anglo-French paper group, is to raise its French profile with a move from the OTC market to the main monthly settlement market on the Paris Bourse.

The company said that the move, which will take place on January 24, reflected its strong presence in the French paper market and the size of its market capitalisation. Its principal listing is in London.

The company was formed in 1990 through the merger of Arjomari Prioux of France and Wiggins Teape Appleton of the UK. It derives 38 per cent of its sales in France. Accordingly, the company wants to open its capital to French institutions and individual investors. The principal shareholder is French: Saint Louis, the food and paper company, holds about 40 per cent of the shares.

Hammerson in £24m French acquisition

By Simon London
Property Correspondent

Hammerson has made its third French property acquisition within two months, paying £24m ($37.4m) for a controlling stake in Matignon Trois Fontaines, which owns space in a regional shopping centre.

The company owns 88 retail units in Les Trois Fontaines shopping centre in Cergy-Pontoise, a new town north-west of Paris.

Hammerson is buying a 50 per cent stake in the company but will have management control. It has also committed to pay £24m for the rest of the equity if the vendors exercise a put option in January 1997.

This and two acquisitions in November follow the disposal of the company's Australian property portfolio in October for £250m. In November, it paid £55m for another shopping centre in a new town near Paris and £32.6m for a controlling interest in an office and retail building in the city centre.

Chamberlain Phipps pulls out of Ouest Parts deal

By Peter Pearse

Shares in Chamberlain Phipps fell 3p to 177p yesterday after the shoe components and footwear group announced it would not be proceeding with a proposed acquisition in France.

On November 24, Chamberlain said it had conditionally agreed to buy Ouest Parts, the largest supplier of components to the French shoe industry, for about FFr74m ($14m) cash.

Mr Dan Sullivan, chairman, said he was disappointed, but that the due diligence process had thrown up insurmountable problems.

He added that earnings could have been hit had the deal gone through. However, he said that not proceeding would have no effect on the group's other French operations or Liège, the branded French shoemaker bought on December 12 for an initial £1.5m.

Cunard Princess being sold

Cunard, the cruise line and Trafalgar House subsidiary which owns the QE2, is selling its 17,495-ton Cunard Princess liner for an undisclosed sum to Mediterranean Shipping Company.

The move, which has been expected for some time, is part of the company's efforts to modernise its Cunard Crown brand.

The ship is operated separately from the luxury ships including the QE2.

Revamped Bromsgrove ahead 30% to £3.59m at midway

By Paul Cheeseright,
Midlands Correspondent

Bromsgrove Industries, the engineering group settling down into three divisions after six years of acquisitions and disposals, lifted interim pre-tax profits by 30 per cent.

In the six months to September 30, it made pre-tax profits of £3.59m ($5.6m), compared with £2.77m last time. But, after writing back £8m of goodwill following the sale of the automotive and environmental business, it had to make a tax provision of £1.56m.

This cut into net profits, which fell from £1.7m to £827,000, and into earnings per share, down from 2.5p to 1.1p. The interim dividend is set at an uncovered 1.7p (1.65p).

Had earnings per share been calculated on the basis of the Institute of Investment Management and Research, it said, the total would have been 14 per cent higher at 3.3p (2.9p) – this method excludes the impact of disposals.

Sales on continuing operations rose to £50.9m (£38.4m); including the automotive and environmental businesses disposed of last April, sales fell to £53.2m (£57.5m).

Operating profits in each of the group's divisions – engineering, plastics and metals – increased to £5.05m on continuing activities, against £3.76m. Of the increase, 96 per cent came from organic growth.

● BSK Holdings, the Midlands-based aluminium diecaster and machinist which prior to last April was a Bromsgrove subsidiary, has expanded its manufacturing base by acquiring Autocast. Equity capital for the £9.5m package is provided by 3i, with additional funding from Phildrew Ventures, Samuel Montagu and Midland Bank.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bromsgrove Inds	6 mths to Sept 30	53.2	(57.5)	3.6	(2.77)	1.1	(2.5)	1.7	Apr 6	1.65	-	4.5
Carclo Engineering	6 mths to Sept 30	85.5	(65.6)	7.3	(5.2)	8.2	(6.9)	3.2	Mar 10	1.9	-	9.1
Eurocamp	Yr to Oct 31	70.2	(56.7)	8.65	(6.25)	22.4	(16.2)	6.9	Apr 21	6.3	10.5	9.75
Lowe (Robert H)	Yr to Oct 31	12.7	(26.5)	0.78	(11.9L)	1.32	(26.45L)	-	-	-	-	-
Pelican	6 mths to Sept 30	13.6	(6.67)	1.35	(0.96)	1.6	(1.95)	0.5	Mar 10	-	-	1.25
Slimma	Yr to Sept 30	17.1	(15.2)	1.02	(1.15)	8	(9.6)	2.6	Feb 28	-	3.9	-
Soundtracs §	Yr to Nov 6	7.04	(5.51)	0.72	(0.62)	4.66	(4.09)	1.56	Apr 12	1.48	2.5	2.4
Tamaris	6 mths to Sept 30	1.88	(1.75)	0.12	(0.002)	0.05	(0.01)	-	-	-	-	-
Toolkids	6 mths to Oct 29	1790.6	(1529.8)	114.5	(93.8)	6.84	(5.61)	2.43	Apr 7	2.08	-	7.38

Dividends shown net. Figures in brackets are for corresponding period. §USM stock.

£11m purchase for BBA

By Tim Burt

BBA Group, the engineering and motor components company, yesterday announced its first acquisition since embarking on a £76.8m ($120m) rationalisation programme last year.

The group, which has sold off non-core subsidiaries and cut more than 2,000 jobs, said it was paying £11m cash for Terram, the textiles subsidiary of Exxon Chemical.

The acquisition of Terram gives the group its first European manufacturing and distribution base for non-woven textiles, part of its industrial division.

BBA shares were unchanged at 206p.

Bowater plans to float Australian subsidiary

By Alison Maitland

Bowater, the printing, packaging and coatings group, expects to float Tutt-Bryant, its Australian engineering business, within the next 12 months. Mr Leo Tutt, executive director for Asia, said yesterday the company was being advised on the flotation by SBC Australia, the investment bank, and would make a final decision in March or April.

The group said last November it was considering a flotation following a deal to sell its Australian tissue and timber businesses for A$350m ($269m).

"Now we've withdrawn from tissues and timber, engineering is hardly a core business of this group," said Mr Tutt. "The engineering group wants to build its business by pushing into the south-east Asian area and it's better if it does that alone. Otherwise it's competing with capital from other Bowater businesses."

Mr Tutt said a flotation, expected to raise about A$140m, was the preferred option. But the engineering business, which distributes engines and gearboxes for trucks, boats and agricultural and mining equipment, was cash-generative and Bowater might hold on to it in the short term. "We're not anxious to sell, but we probably will have done so within 12 months," he said. Sales in 1993 were £114m ($178m) with operating profits of £5.5m. "A distinct improvement" is expected in 1994.

Bowater's sale of its Australian tissue operations and related pulp and wood products activities to Carter Holt Harvey, the diversified New Zealand forestry company, is due to be finalised next month.

Insurers' outlook can only improve

Alison Smith glimpses hope beyond the current new business gloom

A fresh cloud of gloom is likely to hang over Britain's life insurance companies in the coming days, as some of the sector's giants set out their figures for new business.

Prudential Corporation and Legal & General both announce their numbers for 1994 on Thursday, while Norwich Union is expecting to produce its new business results later in the month.

Figures for TSB, Lloyds Abbey Life and Britannic Assurance, all published last week, confirm that 1994 was a difficult year.

Many areas of sales were flat or worse, and mortgage-related business was hit by the continuing absence of a sustained recovery in the housing market even before the latest concern about the value of endowment policies.

The work on clearing up after the widespread failure to meet regulators' requirements in the selling of personal pensions seems to have had a marked effect: extra caution on the part of insurers – some companies have left this market altogether, at least temporarily – has combined with reluctance by potential customers.

The starkest impact has been on the sales of single-premium pensions, which is the category of business including people who transfer a lump sum out of an occupational scheme. Pension transfers were the original focus of public concern, in 1993.

But the longer term prospects for life companies may not be as bleak as their immediate past.

Many life insurers believe that government ministers will need to encourage self-provision in pensions, whatever party holds power after Britain's next election. They believe there are also opportunities in the further development of long-term health care policies. Even before the better prospects for the sector as a whole, however, some insurers believe that individual organisations can prosper in the tougher, transitional conditions of operating now.

This should mean that the results across the sector become increasingly differentiated over the next couple of years, depending on life insurers' ability to adapt and to take advantage of the changes in customer attitudes.

Mr Keith Bedell-Pearce, chief executive of Prudential financial services, says life companies which move to transparent and more flexible products will emerge as the survivors.

Prudential was among the insurers last year which moved in this direction. It launched two policies which split the insurance and savings elements of a conventional product, allowing the customer to decide the proportion of protection to investment.

Mr Bedell-Pearce believes that life companies have to respond to a move away from policies where customers commit themselves to saving for a particular length of time towards policies where they retain discretion about how much and how they save.

One aspect of this trend which is likely to come through in the 1994 new business figures and to continue this year, is the shift to single premium business and away from regular premium business. It reflects customers' unwillingness to enter long-term commitments while many people still feel uncertain about their pay and job prospects.

Although Mr Philip Scott, life and pensions general manager at Norwich Union, believes there are reasons to be cheerful about single premium business, he says that across the sector, income for 1995 could be 10 per cent lower than in 1994, putting great pressure on companies to cut their expenses. Those which fail will be vulnerable.

Mr Scott foresees a particular squeeze on medium-sized companies as relative shares of the market change considerably over the next 18 months. He argues that large companies should be able to strengthen their positions – if they take the right decisions – while small companies should be able to adapt and find niches in the market. "If you're in the middle ground it's going to be pretty painful."

Mr Tom King, general manager at Standard Life, believes the concentration of market share may be particularly marked among companies selling through independent financial advisers.

If, as expected, pressures on their own costs lead independent advisers increasingly to use panels of a relatively small number of companies as the basis for giving advice, this should mean that those companies which are initially competitive enough to be selected for the panel should reap a significant reward.

So the new business figures about to be announced may not do much more than confirm that life was hard for insurers last year. It is the new business figures for the coming year, which look likely to be a better guide to the relative fortunes of individual companies.

COMMODITIES AND AGRICULTURE

Exodus of managers hits South African gold sector

By Kenneth Gooding, Mining Correspondent

South Africa's gold mining industry has suffered a serious blow from an unexpected mass exodus of senior managers in the past few months.

According to Mr Gary Maude, chairman of Gengold, part of the Gencor group, at least 20 per cent of the industry's senior managers, who would normally have stayed on, have taken early retirement.

He said there were three main reasons:

- Labour militancy at many gold mines resulting from the political changes in South Africa were adding considerably to the stress managers suffered. Mine workers were demanding consultation and a more-active role in decision-making;
- Rumours that the government was to change tax regulations that at present permit people taking early retirement to pay only 15 per cent tax on a lump sum payment. Some managers feared that to delay retirement would result in them having to pay the top rate of 43 per cent;
- Low morale in the industry caused by several years of falling gold prices and the urgent need to cut costs. This had resulted in 200,000 people at all levels being made redundant.

Mr Maude, after a presentation of Gencor's quarterly results in London yesterday, said that people who had worked for more than 30 years in the South African mining industry had the option of retiring on full pension. Some of those who had left the industry recently were only 55 years old, compared with the usual retirement age of 62.

The sudden exodus of so many senior and experienced people was very damaging to an industry where training demands were exceptional, he said. There were not enough senior people with valuable practical experience to train younger managers.

Gengold was attempting to fill the gap by recruiting in the UK. Its campaign was particularly aimed at senior British Coal managers with underground experience, between the ages of 30 and 49, said Mr Maude.

Greek tobacco growers on the scent of peppermint profits

By Kerin Hope in Athens

Greece's tobacco growers must soon make some hard choices. Prices are stagnant and exports are falling as demand for oriental tobacco – the main Greek variety – steadily shrinks.

In Thrace, where oriental tobacco is a traditional crop, farmers are being encouraged to cultivate peppermint. Under an experimental project financed by the European Union, about five hectares have already been planted with peppermint. This will increase to 50 hectares later this year.

According to local agronomists, Thrace also offers promising conditions for large-scale growing of other aromatic plants used in the food and pharmaceuticals industries, including sage, oregano, camomile and lemon balm.

"Tobacco-growing on poorer soils like that in Thrace doesn't have much future and there's increasing pressure from Brussels to switch to alternative crops," says one expert. "Aromatic plants, for example, could become industrial crops."

Peppermint, exported as dried leaf, commands a higher price than tobacco or cotton and requires less labour. The long Greek summer gives the opportunity for at least two harvests, while cultivation is easily mechanised.

The problem lay in persuading Greek farmers that peppermint was now a viable crop. A previous effort to promote peppermint cultivation in Thrace in the 1970s failed after the plants were attacked by "verticillium", a fungus that dried up their roots.

This time two fungus-resistant peppermint varieties have been introduced from the US and the crop is being grown on different fields.

However, Mr Nicholas Craze of Harvest Commodities, technical managers of the project, maintains there is no need to import new varieties on a large scale as better cultivation methods would eliminate the risk of infection.

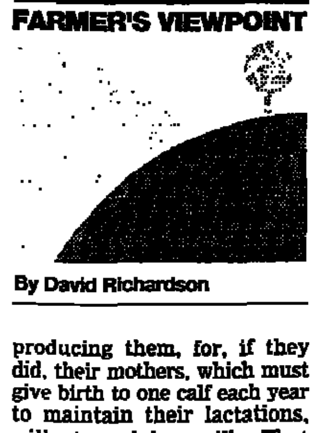
He says that planting stem cuttings rather than rhizomes left over from a previous harvest is a safe alternative. At the same time, wider use of soil analysis by farmers would help create the right conditions for growing peppermint.

A small-scale experiment last year, with 25 farmers planting both local and imported peppermint cuttings on two and a half hectares in five villages around Komotini, brought encouraging results, with the crop averaging 4 tonnes of peppermint per hectare. Mr Menelaos Arseniou, a farmer in the project, says: "Peppermint gave us a very good income for a few years in the late 1970s, but we lost money after the fungus appeared. The new method worked well last summer, so most farmers here are keen to start planting peppermint again."

Killing should not rule out kindness

British concern for the welfare of the animals we eat is not shared throughout the EU

FARMER'S VIEWPOINT



By David Richardson

It was never going to be easy to arrive at common standards of animal welfare across all states of the European Union. Horses are still routinely used for meat in Italy; geese are regularly force-fed in France to expand their livers for *paté de foi gras*; and on hot summer afternoons in Spain bulls are slowly and painfully killed in Spain to provide public entertainment.

Compare that with the UK, which still bases its feelings for animals on anthropomorphic attitudes encouraged by Beatrix Potter, Richard Adams and Walt Disney, and it is clear that the acceptance of common standards can, realistically, only be a distant goal.

That is not meant as an argument for lowering British welfare standards. Indeed, as an animal lover myself I applaud the way we care and deplore the fact that some of our neighbours do not. But it does help to explain the disbelief expressed by many Europeans at the welfare concerns of UK consumers, as well as the difficulty of persuading continental politicians to take UK preoccupations seriously.

Even when we understand all that, however, it does not remove the problem of what you do with the 500,000 dairy-bred calves produced each year that cannot be found a home in Britain. Farmers can't stop producing them, for, if they did, their mothers, which must give birth to one calf each year to maintain their lactations, will stop giving milk. That would lead to even greater shortages of liquid milk on the UK market, exaggerating the EU quota problem, which already limits British milk production to just 80 per cent of domestic requirement.

Neither can the calves be sensibly grown on, in this country, for beef. For their parents are specialist dairy breeds and the meat produced from the carcasses of their offspring would be of such poor quality that few Britons would want to eat it. The calves in question are the males born to 50 per cent of British cows, which are an inevitable by-product of dairy farming. They are only suitable for meat when slaughtered for veal at six months.

But demand for veal in the UK is minimal. The official record shows that we consume less than 100g of it per head per year. In France the figure is 5.6kg and in Italy 4kg. Moreover, there are only a few dozen veal-producing farmers in the entire UK. They produce pink, as opposed to white, veal and keep their animals in strawed yards rather than the narrow crates used widely on the continent.

News last weekend that Dutch veal producers had agreed to ensure imported British calves would be reared in straw yards rather than crates, if sellers requested, was interpreted as a victory by some UK action groups. Clearly there is a real demand for British calves in Holland and the Dutch will bend over backwards to keep up the supply. Always assuming these promises could be kept, however, the implication is that calves from other sources will replace British-born animals in the crates.

There is no way the Dutch, or other continental veal producers, could change their production methods overnight. Neither is there much prospect of an immediate and massive expansion of veal farming in the UK such as would allow the calves now exported to be reared in Britain and exported as meat. Enormous capital sums would be involved and although there are rumours that the Ministry of Agriculture may be considering grant-aiding such an initiative, it would go against the free market instincts of the government. In any case, it would take a few years to be effective.

One other alternative should be mentioned. When the EU reformed the common agricultural policy in 1992, provision was made to enable officials to control the quantity of beef produced across the community. This involved the possibility of slaughtering calves before they reached 10 days of age, rendering their carcasses into glue and paying compensation to the agency doing the slaughtering amounting to about £95 a head.

No one in the EU has yet tried the scheme, and although the RSPCA has said it would rather see calves slaughtered at birth than suffer the indignity of six months in a continental crate, I wonder if their supporters would agree? I for one deplore the idea, and I suspect many others will share my view.

Given that we do not keep cattle on our Norfolk farm and are therefore not personally involved in the trade, I can take a more dispassionate view of it than some farmers. I am, however, a meat eater and believe in being kind to animals.

Animal rights extremists and vegetarians find it difficult to reconcile those two positions and they have so far been winning the propaganda battle. We humans, however, were born neither herbivores nor carnivores but omnivores. For that diet to be satisfied in civilised society it is necessary for animals to be reared for meat and to die. As animal lovers it is our duty to ensure that happens as humanely as possible.

On the current trade in calves across to Europe: it will have become clear from the above that I do not believe a ban on exports is feasible at present. Indeed, we are also told it would be illegal under the terms of the single market. I therefore believe the only practical way forward is to bring political pressure to bear to improve animal welfare standards at all levels in the community: to try, as a matter of urgency, to ensure that continental farmers observe the high standards British farmers do.

In the meantime, new travel regulations for hauliers limiting journey times and including rigorous sanctions for any who fail to come up to standard, due to come into force next Monday, will safeguard the well-being of British livestock as far as possible.

Indonesian nickel expansion on target

By Manuela Saragosa in Jakarta

Initial production from the expansion of Inco's Indonesian nickel mining and smelting operations could start as early as 1998, PT International Nickel Indonesia said yesterday.

The expansion, which will boost the Indonesian unit's annual production by half over the next three years to about 150m lb of nickel, is part of the world's largest nickel producer's plan to increase its production by 20 per cent before the year 2000.

"Engineering is proceeding as scheduled on the US$500m expansion ... and initial production from the expansion could commence as early as 1998," said Mr James Guiry, president and chief executive officer at PT Inco, the Canadian company's 58 per cent-owned Indonesian subsidiary.

PT Inco said that last year's production at its operations on the Indonesian island of Sulawesi reached a record 100m lb, a 25 per cent increase over its previous record of 80m, set in 1992.

The company said it operated its three smelting furnaces in Sulawesi throughout 1994. The planned expansion involves constructing a fourth smelting line at its existing operations in Soroako in Sulawesi and building additional hydro-electric generating capacity.

PT Inco is one of the lowest-cost nickel producers in the world with about 25 years of reserves at planned production rates.

MARKET REPORT

Aluminium sets fresh highs

ALUMINIUM prices set fresh 4½-year highs at the London Metal Exchange yesterday as strong physical demand encouraged buyers in a relatively thin market.

In contrast, **COPPER** prices failed to consolidate last week's move above \$3,000 a tonne for the three months delivery position. Bears took control as concern about supply tightness eased and nearby delivery premiums disappeared.

London Commodity Exchange **COFFEE** futures closed higher but off the day's highs as the market responded to a spate of positive signals.

"There's a feel-good factor in the market right now," said one trader. "Nobody wants to go short. Everybody is long just hanging around for buyers."

Cocoa futures ended a sluggish session mostly firmer on short-covering, though the most-heavily traded March delivery contract slipped back.

Compiled from Reuters

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2050-1	2087-8
Previous	2030-32	2065-67
High/low	2037/2033	2091/2058
AM Official	2037-8	2070-1
Kerb close		2086-7
Open int.	246,215	
Total daily turnover	125,166	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1945-50	1988-90
Previous	1935-45	1980-85
High/low	1930	1988/1980
AM Official	1930-5	1970-5
Kerb close		1988-90
Open int.	2,741	
Total daily turnover	1,254	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	653-4	670-1
Previous	669.5-70.5	675.5-76.0
High/low	655/653	675/660
AM Official	653-3.5	671.5-2
Kerb close		660-1
Open int.	41,399	
Total daily turnover	12,358	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9550-60	9720-30
Previous	9615-20	9775-80
High/low		9780/9640
AM Official	9485-90	9680-5
Kerb close		9690-700
Open int.	62,958	
Total daily turnover	27,453	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6165-75	6250-60
Previous	6075-85	6155-65
High/low		6300/6150
AM Official	6070-1	6170-5
Kerb close		6180-200
Open int.	21,151	
Total daily turnover	7,645	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1141-2	1166-7
Previous	1140-41	1164-65
High/low		1169/1161
AM Official	1135-6	1161-2
Kerb close		1164-5
Open int.	102,660	
Total daily turnover	38,528	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2983-6	2985-8
Previous	3028.5-29.5	3023-24
High/low	3005/2990	3015/2965
AM Official	2999-3000	2999-3000
Kerb close		
Open int.	248,530	
Total daily turnover	109,755	

■ LME AM Official £/$ rate: 1.5702

LME Closing £/$ rate: 1.5695

Spot:1.5695 3 mths:1.5689 6 mths:1.5677 9 mths:1.5670

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Open int.	Vol
Jan	137.70	-2.15	139.20	137.10	2,219	215
Feb	136.65	-1.90	138.80	136.25	941	11
Mar	135.65	-2.30	138.40	135.10	29,929	4,875
Apr	134.30	-1.80	136.60	136.60	943	65
May	132.45	-1.55	134.50	132.00	6,871	458
Jun	130.55	-1.20	-	-	578	74
Total					51,859	6,048

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	377.40-377.80	
Opening	378.00-378.40	
Morning fix	377.45	240.491
Afternoon fix	377.55	240.309
Day's High	378.00-378.40	
Day's Low	376.90-377.20	
Previous close	378.00-378.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.70	6 months	5.98
2 months	4.98	12 months	6.33
3 months	5.23		

Silver Fix	p/troy oz.	US cts equiv.
Spot	303.75	476.85
3 months	308.15	483.55
6 months	313.50	491.60
1 year	326.25	510.70

Gold Coins	$ price	£ equiv.
Krugerrand	379-382	241-244
Maple Leaf	388.15-390.60	[illegible]
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	377.9	-1.0	-	-	1	-
Feb	378.3	-1.0	378.4	377.6	78,008	18,751
Mar	380.1	-1.1	-	-	4	3
Apr	381.9	-1.1	382.1	381.1	19,474	2,353
Jun	385.6	-1.1	385.8	384.8	25,602	2,479
Aug	388.8	-1.2	389.1	389.1	13,687	192
Total					186,795	24,414

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	412.3	-0.6	-	-	62	3
Apr	416.9	-0.6	417.5	414.5	18,575	1,745
Jul	421.3	-0.6	422.0	422.0	3,687	216
Oct	425.8	-0.6	-	-	845	119
Jan	429.5	-0.6	-	-	150	1
Total					23,319	1,962

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	156.80	-0.95	157.00	154.50	6,203	318
Jun	158.05	-0.95	157.50	156.00	929	21
Sep	159.05	-0.95	-	-	301	174
Dec	160.05	-0.95	-	-	11	-
Total					7,444	513

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	479.9	+0.6	-	-	1	-
Feb	481.0	+0.5	-	-	1	-
Mar	482.7	+0.5	485.0	476.0	88,151	13,621
May	488.5	+0.5	490.5	482.0	12,840	1,781
Jul	494.7	+0.5	496.5	488.5	7,134	1,398
Sep	500.9	+0.5	503.0	496.0	9,580	36
Total					130,015	17,458

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	17.54	+0.02	17.59	17.41	59,740	33,340
Mar	17.49	+0.03	17.55	17.39	80,448	29,889
Apr	17.44	+0.02	17.43	17.38	34,741	9,835
May	17.44	+0.03	17.44	17.36	18,004	5,932
Jun	17.41	+0.01	17.43	17.35	31,364	4,858
Jul	17.37	-0.03	17.39	17.38	13,791	2,381
Total					380,047	92,063

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	16.35	-0.03	16.38	16.29	64,131	17,663
Mar	16.31	+0.18	16.32	16.08	62,844	19,267
Apr	16.28	+0.14	16.22	16.01	20,849	2,261
May	16.19	+0.14	16.20	16.01	8,958	475
Jun	16.15	+0.13	16.19	16.05	11,888	765
Jul	16.12	+0.12	16.12	16.03	9,882	765
Aug	16.17	+0.18	16.17	16.06	5,287	548
Total					183,232	40,908

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	46.30	-0.35	46.55	45.95	33,048	18,091
Mar	46.55	-0.50	46.90	46.15	35,979	12,091
Apr	46.75	-0.40	47.00	46.45	18,451	5,139
May	47.00	-0.15	47.00	46.65	9,688	1,418
Jun	46.95	-0.10	47.00	46.80	7,549	917
Jul	47.35	-0.05	47.45	47.00	7,923	722
Total					134,376	41,624

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	141.50	-0.50	141.75	140.25	43,827	8,111
Mar	144.00	-0.50	144.25	142.75	17,278	2,997
Apr	145.25	-0.50	145.50	144.00	7,006	1,359
May	146.25	-0.25	146.00	145.00	2,638	430
Jun	148.75	-0.25	148.75	148.75	8,316	245
Jul	148.25	-1.00	148.25	147.25	2,238	307
Total					98,067	14,550

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	1.320	-0.003	1.342	1.300	24,378	14,548
Mar	1.376	-0.008	1.385	1.380	23,655	5,923
Apr	1.435	-0.003	1.440	1.425	11,890	2,530
May	1.455	-0.003	1.475	1.460	10,864	1,523
Jun	1.500	-0.005	1.505	1.495	9,386	1,153
Jul	1.535	+0.003	1.540	1.525	10,404	1,075
Total					132,710	33,360

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	55.70	+0.70	55.73	54.85	18,545	9,909
Mar	54.25	+0.39	54.25	53.65	14,585	5,328
Apr	56.15	-	56.20	55.80	12,052	2,322
May	55.35	-0.05	55.35	55.00	6,440	885
Jun	55.36	-0.10	55.35	55.35	2,752	625
Jul	56.60	-	-	-	1,354	237
Total					59,880	19,463

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.45	+0.15	107.40	107.05	248	12
Mar	108.30	+0.35	108.25	107.70	1,790	117
May	110.20	+0.40	110.00	109.50	1,874	108
Jul	111.80	+0.30	111.50	111.25	321	15
Sep	97.40	+0.15	-	-	50	-
Nov	98.40	-	98.40	98.15	1,408	16
Total					5,898	278

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	381/6	+2/0	382/0	375/2	36,018	14,341
May	366/6	+2/2	367/4	361/0	9,087	3,931
Jul	347/2	+3/0	348/4	342/0	16,678	4,752
Sep	351/4	+2/4	351/4	347/4	973	131
Dec	361/2	+1/2	362/0	358/0	390	24
Mar	364/0	-	364/0	362/0	13	[illegible]
Total					63,157	23,089

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	234/4	+0/4	235/0	232/4	119,323	24,550
May	246/6	-	241/0	239/2	62,951	8,938
Jul	245/0	-	245/2	243/2	56,737	8,550
Sep	248/6	-	249/6	247/4	8,581	1,496
Dec	251/6	-	251/6	250/2	42,018	6,867
Mar	258/4	-	258/4	257/4	4,696	342
Total					298,024	52,153

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	103.75	-0.25	104.00	104.00	106	1
Mar	105.40	-0.10	105.50	105.50	285	10
May	107.15	-0.10	-	-	68	-
Sep	95.80	-	-	-	30	-
Nov	98.00	+0.10	98.00	98.00	101	3
Jan	99.50	-	-	-	-	-
Total					591	14

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	553/2	+2/6	553/4	549/0	2,251	2,547
Mar	564/4	-	557/4	553/4	57,668	17,562
May	564/2	-	565/2	561/2	26,163	3,748
Jul	570/6	-0/4	571/0	567/0	23,677	4,738
Aug	572/6	-1/0	574/2	570/0	2,639	398
Sep	574/4	-2/0	576/0	573/0	2,468	581
Total					137,817	31,864

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	27.87	-0.25	28.24	27.68	7,573	3,870
Mar	26.29	-0.37	26.76	26.12	38,490	16,853
May	25.42	-0.42	25.88	25.25	21,004	3,557
Jul	25.03	-0.33	25.47	24.80	14,085	3,001
Aug	24.79	-0.37	25.10	24.70	3,723	511
Sep	24.65	-0.27	24.82	24.50	4,185	549
Total					100,780	29,173

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	155.7	+1.4	155.8	153.8	1,271	858
Mar	158.1	+0.8	158.8	157.0	41,862	5,038
May	161.4	+0.4	161.7	160.1	19,726	1,810
Jul	165.1	+0.1	165.5	164.0	16,752	1,438
Aug	166.9	-0.1	167.2	166.8	4,572	355
Sep	168.9	-0.1	169.2	168.2	3,508	277
Total					108,288	10,561

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	278.6	-	-	-	-	-
Apr	297.5	+4.0	299.0	292.0	1,427	129
May	323.5	+5.0	322.0	322.0	42	2
Jun	250.0	-	-	-	-	-
Total					1,459	131

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2090	-25	2106	2085	878	15
Feb	2095	-25	2112	2095	254	8
Mar	2080	-25	2090	2080	[illegible]	2
Apr	2055	-30	2075	2035	1,513	67
Jul	1800	-20	1821	1790	457	81
Oct	1805	-17	1830	1785	305	38
Total					3,771	222

	Close	Prev
BFI	2067	2080

Tea

There was good demand, reports the Tea Brokers' Association. Colour Assams were lower with quality but plainer sorts were fully firm to dearer. Brighter east Africans met improved competition at fully firm to dearer rates, but mediums were irregular and at times 2 to 3 pence easier. Plainer Africans remained firm. Ceylons saw strong enquiry and were mainly dearer. Offshore: Good demand at firm rates. Quotes: best available 164p/kg, good 128p/kg, good medium 114p/kg, medium 100p/kg, low medium 84p/kg. The highest price realised this week was 164p/kg for a Kenya pf1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	978	-4	984	971	38,815	2,341
May	978	+4	985	976	19,565	1,299
Jul	989	+6	994	987	9,016	404
Sep	999	+7	1005	998	15,196	132
Dec	1012	+6	1016	1012	12,421	27
Mar	1022	+5	1028	1021	10,808	248
Total					112,811	4,705

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1308	-	1322	1304	33,429	14,078
May	1335	+1	1348	1332	15,573	3,447
Jul	1359	+1	1365	1357	7,182	850
Sep	1378	-2	1380	1376	2,564	178
Dec	1403	-2	1410	1400	4,382	132
Mar	1428	-2	-	-	8,771	6
Total					77,819	18,939

■ COCOA (ICCO) (SDR's/tonne)

Jan 13	Price	Prev. day
Daily	973.72	1015.45

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2790	+23	2827	2765	275	34
Mar	2801	+17	2845	2800	15,805	1,611
May	2769	+12	2810	2770	7,170	918
Jul	2764	+20	2800	2765	2,348	20
Sep	2778	+25	-	-	3,085	-
Nov	2785	+20	-	-	826	-
Total					29,307	2,583

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	168.45	-1.35	171.30	168.70	14,815	4,012
May	169.50	-1.45	172.40	168.00	9,521	1,127
Jul	170.50	-1.20	173.25	169.90	3,786	282
Sep	171.35	-1.25	173.75	170.50	2,352	93
Dec	170.50	-1.50	170.50	170.50	2,981	41
Mar	169.50	-1.50	-	-	254	1
Total					33,785	5,535

■ COFFEE (ICO) (US cents/pound)

Jan 13	Price	Prev. day
Comp. daily	152.15	150.25
15 day average	152.77	152.98

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.23	-0.31	-	-	480	-
May	14.42	-0.26	-	-	860	-
Jul	14.10	-1.20	-	-	300	-
Oct	12.50	-	-	-	-	-
Jan	11.95	-	-	-	-	-
Total					[illegible]	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	394.3	-7.6	407.7	394.0	14,219	1,873
May	391.2	-8.1	404.8	390.5	5,122	836
Aug	379.9	-7.4	391.0	379.0	4,759	253
Oct	348.4	-6.4	352.5	352.5	1,868	2
Dec	342.9	-6.4	-	-	135	-
Mar	337.3	-6.5	-	-	259	-
Total					26,414	2,964

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.02	-0.24	14.38	14.00	73,338	30,888
May	14.16	-0.28	14.48	14.15	42,654	18,972
Jul	13.92	-0.49	14.08	13.81	28,873	4,039
Oct	12.97	-0.33	13.16	12.96	30,048	2,008
Mar	12.60	-0.20	12.75	12.59	7,740	1,153
May	12.44	-0.16	12.68	12.44	2,389	7
Total					190,443	57,126

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	88.94	-2.00	90.70	88.94	29,102	3,017
May	88.68	-2.00	90.30	88.68	18,383	1,725
Jul	88.12	-1.35	89.97	87.97	10,160	1,385
Oct	79.77	-1.03	80.84	79.60	3,194	578
Dec	74.18	-0.65	74.70	73.80	12,125	1,290
Mar	75.05	-0.63	75.65	75.13	335	88
Total					76,290	8,083

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	101.90	-2.35	101.60	101.60	15	19
Mar	105.40	-2.90	108.50	103.80	18,363	1,815
May	108.80	-2.50	110.00	107.55	2,806	193
Jul	112.05	-2.60	112.50	111.90	1,056	50
Sep	115.50	-2.15	117.00	117.00	2,515	3
Nov	114.80	-1.85	-	-	1,628	3
Total					27,322	2,123

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 16	Jan 13	month ago	year ago
2254.3	2263.5	2199.6	1882.7

■ CRB Futures (Base: 1967=100)

Jan 13	Jan 12	month ago	year ago
233.41	235.34	232.05	226.86

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	72.725	+0.325	72.775	72.050	28,673	8,189
Apr	73.900	+0.400	73.975	73.075	32,002	4,546
Jun	67.325	+0.150	67.400	66.675	10,258	1,487
Aug	64.525	+0.150	64.550	64.025	4,877	590
Oct	65.325	+0.125	65.350	64.875	630	111
Dec	66.000	-	66.175	65.800	217	27
Total					76,802	15,172

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	38.925	+0.050	39.400	38.100	10,785	3,319
Apr	39.650	+0.750	39.775	38.850	12,753	2,607
Jun	44.900	-0.425	44.850	44.300	6,378	608
Aug	43.800	+0.275	43.850	43.550	1,802	241
Oct	41.675	+0.075	41.700	41.500	1,830	129
Dec	42.475	-0.025	42.475	42.350	1,763	142
Total					36,036	7,065

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	40.650	+0.350	41.050	40.000	6,186	3,155
Mar	40.975	+0.425	41.350	40.400	2,426	768
May	41.875	+0.175	42.300	41.600	828	161
Jul	43.150	+0.250	43.200	42.450	1,006	246
Aug	41.000	+0.300	41.000	40.650	279	55
Feb	50.250	+0.350	50.250	49.950	36	2
Total					10,770	4,387

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
2000	157	186	73	131
2050	129	162	95	155
2100	105	141	120	182
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
2900	144	102	78	169
3000	95	68	127	233
3100	58	42	189	282
■ COFFEE LCE	Mar	May	Mar	May
2700	168	230	67	162
2750	139	205	88	187
2900	113	185	112	217
■ COCOA LCE	Mar	May	Mar	May
950	44	66	16	38
975	29	53	28	50
1000	19	42	41	64
■ BRENT CRUDE IPE	Apr	Jul	Apr	Jul
1600	69	89	53	83
1650	44	66	80	110
1700	28	42	113	136

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$15.71-5.76t	+0.20
Brent Blend (dated)	$16.43-6.47	+0.24
Brent Blend (Mar)	$16.35-6.37	+0.20
W.T.I. (1pm est)	$17.78-7.80t	+0.34

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$162-163	
Gas Oil	$144-145	-1.0
Heavy Fuel Oil	$110-112	
Naphtha	$160-162	
Jet fuel	$158-163	
Diesel	$150-151	

Petroleum Argus. Tel. London (071) 359 8792

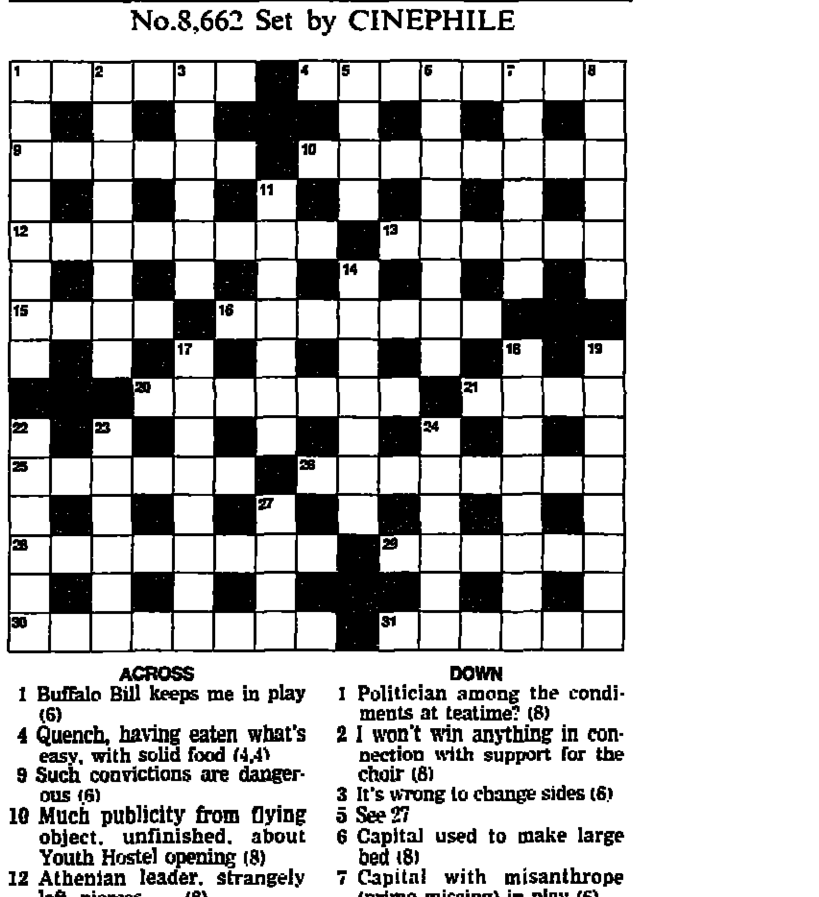
■ OTHER

		+or-
Gold (per troy oz)♣	$377.60	-1.60
Silver (per troy oz)♣	479.5c	-5.0
Platinum (per troy oz.)	$412.75	-2.25
Palladium (per troy oz.)	$153.25	-2.25
Copper (US prod.)	144.0c	
Lead (US prod.)	42.25c	+0.75
Tin (Kuala Lumpur)	15.30m	-0.01
Tin (New York)	285.5c	
Cattle (live weight)†	120.14p	-2.07*
Sheep (live weight)†♠	116.38p	-4.21*
Pigs (live weight)	74.89p	+1.55*
Lon. day sugar (raw)	$350.70	-14.30
Lon. day sugar (wte)	$408.50	-8.50
Tate & Lyle export	£338.00	-9.00
Barley (Eng. feed)	£109.5	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	113.50p	+1.50
Rubber (Mar)♥	114.00p	+1.50
Rubber (KL RSS No1 Jul)	410.0m	+0.5
Coconut Oil (Phil)§	$600.0y	-5.0
Palm Oil (Malay.)§	$637.5u	
Copra (Phil)§	$393.0q	
Soyabeans (US)	£169.0	+1.0
Cotton Outlook'A' index	95.75c	-0.10
Wooltops (64s Super)	482p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Mar. y Feb/Mar. u Feb. q Jan/Feb ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

CROSSWORD

No.8,662 Set by CINEPHILE



ACROSS

1 Buffalo Bill keeps me in play (6)
4 Quench, having eaten what's easy, with solid food (4,4)
9 Such convictions are dangerous (6)
10 Much publicity from flying object, unfinished, about Youth Hostel opening (8)
12 Athenian leader, strangely left, pierces .... (8)
13 .... pincer movement of .... (6)
15 .... wheel surround, in play (4)
16 Turn to African country in a little while for fuss in play (4,3)
20 Play and gamble during fast number (7)
21 Food complaint (4)
25 Posh fur can be put into service (6)
26 Diplomatic move – take a month in a river (8)
28 Official emblem is in a gin cocktail (8)
29 Base solution, giving a pound to the destroyer (6)
30 Plan to get back and wander about (8)
31 Go to law about shabby article: that's something like (6)

DOWN

1 Politician among the condiments at teatime? (8)
2 I won't win anything in connection with support for the choir (8)
3 It's wrong to change sides (6)
5 See 27
6 Capital used to make large bed (8)
7 Capital with misanthrope (primo missing) in play (6)
8 Wears out queen with poetry (6)
11 Unfeeling about elevated love? It's a sacred plant (7)
14 Wild threats are devastating (7)
17 Supporter of little weight means one can see over the door (8)
18, 19 Dealer such as the Moor (Othello) in play (8,2,6)
22, 23 Casual juries corrected in play (6,6)
24 Little village play (6)
27, 5 Family with equipment left inside in play (4)

Solution to Saturday's prize puzzle on Saturday January 28.

Solution to yesterday's prize puzzle on Monday January 30.

CURRENCIES AND MONEY

MARKETS REPORT

Lira recovers as dollar weakens in thin trade

Political action spoke louder than words in the view of foreign exchange traders yesterday. Investors boosted the lira following the appointment of Mr Lamberto Dini as Italian prime minister designate, but were cool towards the Spanish peseta despite verbal support from European finance ministers, *writes James Harding.*

The dollar fell in thin trading worldwide caused by public holidays in both the US and Japan, having been unable to hold early gains. Doubts over the dollar left the yen and D-Mark the most favoured leading currencies.

Currencies of emerging Asian countries steadied against the dollar, distinguishing themselves from the Brazilian Real and Mexican peso which fell.

■ Closed markets in Tokyo and skeleton staff in New York focused traders' attention on the European crosses. The markets' approval of the appointment of Mr Lamberto Dini, a former central bank official and finance minister, as prime minister was reflected in a significant rise for the lira. It hit a morning high of L1042.80 to the D-Mark before receding slightly to close at L1048, up from L1057 on Friday.

Longer-term optimism on the lira, however, was in shorter supply. There was confidence that "the new government will be able to survive in the near term, but not in the long-term." according to Ian Gunner, international economist at Chase Manhattan. "The upside on the lira will be fairly limited.", he predicted.

The peseta was an early beneficiary of the lira's recovery and profit-taking. Before European finance ministers convened in Brussels, Mr Pedro Solbes, Spanish Finance Minister, said the peseta's ERM problems were over: "There are no problems today. It was a problem of the past two weeks or so."

However, by the time the meeting was over things had turned a little sour. A stream of pro-peseta rhetoric, not only from Mr Solbes and the Bank of Spain but also from Mr Theo Waigel, German Finance Minister, and Mr Henning Christophersen, economic affairs commissioner, could not help it slipping from its morning high of Pta86.32 to the D-Mark to close in London at Pta87.03 just marginally stronger than its Friday's close of Pta87.15.

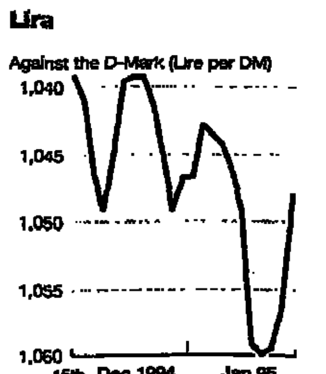
Spain's shaky position in the European Monetary System, rumours that the Bank of Spain was intervening to defend the currency and unresolved political problems contributed to the peseta's afternoon slide, analysts said.

■ Pound in New York

Jan 16	Latest	Prev. close
£ spot	1.5695	1.5680
1 mth	1.5690	1.5677
3 mth	1.5685	1.5675
1 yr	1.5639	1.5645

Lira

Against the D-Mark (Lire per DM)



Source: FT Graphite

The French franc was little changed against the D-Mark closing at FFr3.459 against Friday's FFr3.458.

■ The trend towards stable currencies continued to expose worries about the dollar, which was unable to stay above an important technical support *level at DM1.535 and briefly* dipped below Y98 on London markets. The dollar closed in London at DM1.5282 and Y98.1250, down from Friday's figures of DM1.5327 and Y98.5250.

Analysts said they were looking for "some catalysts to take money out of yen and put it into dollars". Some hoped that today's capacity utilization figures, which are expected to be at or above last month's 84.7 per cent, will give the Federal Reserve little excuse not to tighten monetary policy.

■ Mildly disappointing UK producer *price figures* for December did little to ruffle sterling. The pound fell slightly against the D-Mark to close in London at DM2.3988 compared with Friday's DM2.4056 and rose marginally against the dollar from Friday's $1.5696 to $1.5698. With short sterling indicating that traders had already factored in *a rate rise of at least 50 basis* points in the first quarter, the 0.7 per cent rise in output costs, even though a little higher than expected, did little to change medium term outlook on the pound. Analysts will be watching the more influential retail prices index issued tomorrow.

The Bank of England forecast a shortage of £1.1bn. It provided £509m at established rates and late assistance of £420m.

■ Emerging markets in Asia held steady yesterday. The Philippine peso strengthened to Php24.58 to the dollar from *Friday's close at Php24.72 on* low volume trading. The Hong Kong dollar firmed slightly against the US dollar and the Indonesian rupiah held steady.

■ OTHER CURRENCIES

Jan 16	£	$
Hungary	177.416 - 177.829	113.040 - 113.140
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4667 - 0.4693	0.2988 - 0.2989
Poland	3.7951 - 3.8041	2.4180 - 2.4230
Russia	5930.70 - 5935.41	3778.00 - 3781.00
U.A.E.	5.7643 - 5.7671	3.6727 - 3.6733

POUND SPOT FORWARD AGAINST THE POUND

Jan 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8890	-0.0786	831 - 948	16.9784	16.8820	16.8765	0.9	16.8428	1.1	-	-	116.0
Belgium	(BFr)	49.4158	-0.1271	000 - 315	49.7020	49.4000	49.3808	0.8	49.3058	0.9	48.7608	1.3	117.7
Denmark	(DKr)	9.4490	-0.0374	459 - 520	9.5034	9.4450	9.451	-0.3	9.4512	-0.1	9.4265	0.2	117.2
Finland	(FM)	7.4164	-0.0273	091 - 236	7.4700	7.4040	-	-	-	-	-	-	88.8
France	(FFr)	8.2958	-0.0205	937 - 979	8.3433	8.2933	8.292	0.5	8.286	0.5	8.2367	0.7	110.3
Germany	(DM)	2.3988	-0.0068	980 - 996	2.4137	2.3977	2.3965	1.2	2.3916	1.2	2.3582	1.7	127.6
Greece	(Dr)	373.993	-0.109	855 - 131	376.561	373.821	-	-	-	-	-	-	-
Ireland	(I£)	1.0126	+0.0005	119 - 132	1.0146	1.0083	1.0123	0.4	1.012	0.2	1.0106	0.2	104.6
Italy	(L)	2513.21	-28.68	222 - 420	2529.78	2512.17	2519.41	-3.0	2530.36	-2.7	2580.36	-2.7	73.1
Luxembourg	(LFr)	49.4158	-0.1271	000 - 315	49.7020	49.4000	49.3808	0.8	49.3058	0.9	48.7608	1.3	117.7
Netherlands	(Fl)	2.6905	-0.0054	897 - 913	2.7063	2.6895	2.6884	1.0	2.6833	1.1	2.6469	1.6	121.7
Norway	(NKr)	10.4868	-0.0465	835 - 900	10.5582	10.4830	10.4862	0.1	10.4852	0.1	10.4752	0.1	86.8
Portugal	(Es)	248.413	-0.125	295 - 531	249.034	248.199	249.013	-2.9	250.663	-3.6	-	-	-
Spain	(Pta)	208.714	-0.876	602 - 826	209.845	208.171	209.219	-2.9	210.179	-2.8	214.534	-2.8	82.8
Sweden	(SKr)	11.7039	-0.0758	942 - 136	11.7870	11.6932	11.7224	-1.9	11.7574	-1.8	11.8739	-1.5	74.9
Switzerland	(SFr)	2.0141	-0.0062	130 - 151	2.0299	2.0130	2.0101	2.4	2.0026	2.3	1.9579	2.8	122.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.3
Ecu	-	*1.2872*	*-0.0042*	*865 - 878*	*1.2730*	*1.2665*	*1.2673*	*0.0*	-	-	*1.2617*	*0.4*	-
SDR†	-	0.935492	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5700	+0.0002	697 - 703	1.5712	1.5675	-	-	-	-	-	-	-
Brazil	(Cr)	1.3296	+0.0017	278 - 314	1.3362	1.3262	-	-	-	-	-	-	-
Canada	(C$)	2.2179	+0.0016	171 - 186	2.2187	2.2082	2.2198	-1.0	2.2242	-1.1	2.241	-1.0	83.6
Mexico	(New Peso)	8.3982	+0.1266	184 - 780	8.4800	8.3062	-	-	-	-	-	-	-
USA	($)	1.5698	+0.0002	695 - 700	1.5710	1.5672	1.5694	0.3	1.5691	0.2	1.5653	0.3	62.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0697	-0.0017	687 - 707	2.0712	2.0687	2.0733	-2.1	2.0798	-1.9	2.1153	-2.2	-
Hong Kong	(HK$)	12.1546	-0.0165	519 - 573	12.1674	12.1379	12.1707	-1.6	12.1849	-1.0	12.0799	0.6	-
India	(Rs)	49.2411	+0.0161	274 - 548	49.2740	49.1670	-	-	-	-	-	-	-
Israel	(Shk)	4.7259	-0.0029	207 - 310	4.7735	4.7203	-	-	-	-	-	-	-
Japan	(Y)	154.032	-0.608	968 - 096	155.200	153.950	153.492	4.2	152.497	4.0	146.692	4.8	190.6
Malaysia	(M$)	4.0096	-0.0077	082 - 110	4.0159	4.0034	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4603	+0.0027	589 - 616	2.4622	2.4592	2.466	-2.8	2.4764	-2.6	2.5107	-2.0	-
Philippines	(Peso)	38.5688	+0.1147	841 - 534	38.6825	38.4809	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8878	+0.0005	866 - 889	5.8923	5.8784	-	-	-	-	-	-	-
Singapore	(S$)	2.2726	-0.0119	714 - 737	2.2832	2.2713	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5471	+0.0132	450 - 492	5.5549	5.5320	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5773	-0.0148	605 - 940	6.5928	6.5659	-	-	-	-	-	-	-
South Korea	(Won)	1243.63	-3.85	335 - 391	1247.12	1241.69	-	-	-	-	-	-	-
Taiwan	(T$)	41.3253	+0.0202	124 - 381	41.3519	41.2683	-	-	-	-	-	-	-
Thailand	(Bt)	39.3772	-0.0971	317 - 227	39.4240	39.3200	-	-	-	-	-	-	-

†SDR rates for Jan 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.7590	-0.0515	570 - 610	10.8200	10.7570	10.803	0.8	10.7317	1.0	10.599	1.5	105.1
Belgium	(BFr)	31.4800	-0.085	750 - 850	31.6700	31.4700	31.55	0.6	31.425	0.7	31.155	1.0	106.7
Denmark	(DKr)	6.0194	-0.0248	184 - 204	6.0582	6.0180	6.0437	0.0	6.0179	0.1	6.0184	0.0	105.4
Finland	(FM)	4.7246	-0.018	207 - 284	4.7607	4.7205	4.7409	0.4	4.7206	0.3	4.7121	0.3	83.1
France	(FFr)	5.2848	-0.0137	843 - 853	5.3159	5.2835	5.2874	0.2	5.2811	0.3	5.2623	0.4	106.8
Germany	(DM)	1.5282	-0.0045	279 - 284	1.5381	1.5271	1.5316	0.9	1.5244	1.0	1.5067	1.4	108.3
Greece	(Dr)	238.250	-0.7	200 - 300	239.990	238.200	241.35	-15.1	246	-13.0	258.4	-8.5	68.4
Ireland	(I£)	1.5504	-0.0004	496 - 511	1.5573	1.5452	1.551	-0.1	1.5502	0.1	1.5494	0.1	-
Italy	(L)	1601.03	-18.47	065 - 140	1612.35	1600.10	1623.85	-3.2	1612.73	-2.9	1648.53	-3.0	72.9
Luxembourg	(LFr)	31.4800	-0.085	750 - 850	31.6700	31.4700	31.55	0.6	31.425	0.7	31.156	1.0	106.7
Netherlands	(Fl)	1.7140	-0.0038	137 - 142	1.7242	1.7133	1.7167	0.7	1.7102	0.9	1.691	1.3	106.5
Norway	(NKr)	6.6805	-0.0305	795 - 815	6.7340	6.6785	6.7088	0.4	6.6735	0.4	6.6255	0.8	96.9
Portugal	(Es)	158.250	-0.1	200 - 300	158.610	158.200	158.975	-4.7	159.975	-4.4	164.675	-4.1	95.3
Spain	(Pta)	132.960	-0.575	910 - 010	133.600	132.750	133.39	-3.2	133.955	-3.0	137.06	-3.1	77.8
Sweden	(SKr)	7.4559	-0.0492	509 - 609	7.5148	7.4503	7.5188	-2.2	7.4934	-2.0	7.5859	-1.7	79.9
Switzerland	(SFr)	1.2831	-0.0041	826 - 835	1.2936	1.2815	1.2849	2.1	1.2784	2.1	1.2509	2.5	108.3
UK	(£)	1.5698	+0.0002	695 - 700	1.5710	1.5672	1.5692	0.3	1.5691	0.2	1.5653	0.3	87.8
Ecu	-	1.2388	+0.0042	384 - 392	1.2392	1.2325	1.2344	0.2	1.2385	0.1	1.2408	-0.1	-
SDR†	-	1.46919	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 002	1.0002	1.0000	-	-	-	-	-	-	-
Brazil	(Cr)	0.8470	+0.001	460 - 480	0.8510	0.8460	-	-	-	-	-	-	-
Canada	(C$)	1.4129	+0.0008	126 - 131	1.4132	1.4082	1.4136	-1.3	1.4176	-1.3	1.4317	-1.3	80.6
Mexico	(New Peso)	5.3500	+0.08	000 - 000	5.4000	5.3000	5.2708	-0.2	5.3512	-0.1	5.3526	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3164	-0.0012	161 - 169	1.3201	1.3180	1.3203	-0.6	1.321	-0.8	1.3337	-1.2	88.9
Hong Kong	(HK$)	7.7430	-0.0115	425 - 435	7.7545	7.7415	7.7557	-0.2	7.7452	-0.1	7.75	-0.1	-
India	(Rs)	31.3688	+0.0063	650 - 725	31.3725	31.3650	31.4425	-3.1	31.6938	-4.1	-	-	-
Israel	(Shk)	3.0106	-0.0022	078 - 134	3.0418	3.0078	-	-	-	-	-	-	-
Japan	(Y)	98.1250	-0.4	000 - 500	98.5000	98.0500	98.205	3.9	97.195	3.8	93.72	4.5	150.3
Malaysia	(M$)	2.5543	-0.0052	538 - 548	2.5600	2.5530	2.5575	0.9	2.5478	1.0	2.5318	0.9	-
New Zealand	(NZ$)	1.5672	+0.0015	667 - 679	1.5692	1.5663	1.5667	-0.7	1.5706	-0.9	1.5796	-0.8	-
Philippines	(Peso)	24.5700	+0.07	200 - 200	24.6200	24.5200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-0.0001	506 - 509	3.7509	3.7505	3.7535	-0.8	3.7567	-0.6	3.7683	-0.5	-
Singapore	(S$)	1.4477	-0.0078	472 - 482	1.4555	1.4470	1.4506	4.1	1.4374	2.8	1.414	2.3	-
S Africa (Com.)	(R)	3.5338	+0.008	330 - 345	3.5385	3.5283	3.5408	-5.1	3.5798	-5.2	3.7358	-5.7	-
S Africa (Fin.)	(R)	4.1900	-0.01	800 - 000	4.2000	4.1600	4.2275	-7.9	4.2675	-7.4	4.5	-7.4	-
South Korea	(Won)	792.250	-2.55	200 - 300	795.000	792.000	797.8	-4.5	798.75	-3.3	817.25	-3.2	-
Taiwan	(T$)	26.3260	+0.0095	220 - 300	26.3380	26.3210	26.3365	-0.9	26.386	-0.9	-	-	-
Thailand	(Bt)	25.0850	-0.065	600 - 100	25.1300	25.0600	25.0975	-0.6	25.1115	-0.4	25.1375	-0.2	-

†SDR rate for Jan 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 13. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 16	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4¾	5¼	5⅜	5¾	6¼	7.40	4.50	-
week ago	5¼	5¼	5⅜	5⅝	6⅛	7.40	4.50	-
France	5⅜	5⅜	5⅜	6⅛	6⅝	6.00	-	6.40
week ago	5⅝	5⅝	5⅝	6⅛	6⅝	5.00	-	6.40
Germany	4.83	6.00	5.10	5.30	5.80	6.00	4.50	4.85
week ago	4.93	5.00	5.15	5.35	5.85	6.00	4.50	4.86
Ireland	5⅛	5⅝	6⅛	6⅝	7⅛	-	-	6.25
week ago	5⅝	5⅝	6⅛	6⅝	7⅛	-	-	6.25
Italy	8⅜	8⅞	9⅛	9⅜	10⅛	-	7.50	8.20
week ago	8⅜	8¾	8⅞	9¼	10⅛	-	7.50	8.20
Netherlands	4.84	5.10	5.18	5.32	5.92	-	5.25	-
week ago	4.84	5.10	5.22	5.45	5.97	-	5.25	-
Switzerland	3¼	3⅞	4⅛	4⅜	4¾	6.625	3.50	-
week ago	3⅜	3⅞	4⅛	4¾	4⅞	6.625	3.50	-
US	6¼	5⅞	6⅛	6⅝	7¼	-	4.75	-
week ago	5¾	5⅞	6⅛	6⅞	7⅜	-	4.75	-
Japan	2¼	2¼	2¼	2⅜	2⅞	-	1.75	-
week ago	2¼	2¼	2¼	2¼	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¾	6⅜	6¾	7⅛	-	-	-
week ago	-	5¾	6¾	6¾	7⅞	-	-	-
US Dollar CDs	-	5.64	6.00	6.40	7.08	-	-	-
week ago	-	5.64	6.17	6.68	7.41	-	-	-
SDR Linked Ds	-	4.56	4.94	5.25	5.69	-	-	-
week ago	-	4.56	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 6¼; 6 mths: 6⅞; 1 year: 7¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 - 4⅞	5 - 4⅞	5¼ - 5⅛	5 7/16 - 5 5/16	6¼ - 5⅞	6 7/16 - 6⅝
Danish Krone	5¼ - 5	5⅜ - 5½	5⅞ - 5⅝	6¼ - 6	6⅜ - 6⅛	7 7/16 - 7 3/16
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4 15/16 - 4 13/16	5⅛ - 5	5½ - 5¼	5 15/16 - 5 13/16
Dutch Guilder	5⅛ - 5	5¼ - 5	5 3/16 - 5 1/16	5¼ - 5⅛	5 5/16 - 5 3/16	5 15/16 - 5 13/16
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6 7/16 - 6 5/16	6 15/16 - 6 13/16
Portuguese Esc.	8¾ - 8½	9⅛ - 8⅞	10 - 9⅞	11 - 10¾	11⅝ - 11⅜	11⅞ - 11⅝
Spanish Peseta	8¼ - 8⅛	8¼ - 8⅛	8⅝ - 8½	9¼ - 9⅛	9 13/16 - 9 11/16	10 13/16 - 10⅝
Sterling	6½ - 6¼	6 1/16 - 5 15/16	6 1/16 - 6	6½ - 6⅜	7 - 6⅞	7¾ - 7⅝
Swiss Franc	3½ - 3⅜	3⅝ - 3½	3 13/16 - 3 11/16	4 - 3⅞	4⅜ - 4¼	4 13/16 - 4 11/16
Can. Dollar	6 5/16 - 6⅛	6 13/16 - 6⅝	7 - 6⅞	7½ - 7⅜	7 15/16 - 7 13/16	8¾ - 8⅝
US Dollar	5 9/16 - 5 7/16	5 9/16 - 5 7/16	5¾ - 5⅝	6 3/16 - 6 1/16	6⅝ - 6½	7 5/16 - 7 3/16
Italian Lira	9 - 7½	8½ - 8⅜	8¾ - 8⅝	9⅛ - 9	9¾ - 9⅝	10 7/16 - 10 5/16
Yen	2¼ - 2 3/16	2¼ - 2 3/16	2 5/16 - 2 7/32	2⅝ - 2 9/16	2 13/16 - 2 11/16	2⅝ - 2½
Asian $Sing	3⅞ - 3⅝	4⅛ - 4¼	3⅝ - 3½	4 5/16 - 4 3/16	4 9/16 - 4 7/16	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.60	93.60	+0.05	93.64	93.57	19,913	58,809
Jun	93.12	93.11	+0.04	93.17	93.10	11,736	54,697
Sep	92.84	92.82	+0.02	92.85	92.81	5,133	32,724
Dec	92.61	92.56	+0.01	92.61	92.53	3,047	19,388

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.32	+0.02			0	1356
Jun		92.84	+0.02			0	613
Sep		92.28	+0.05			0	177
Dec		91.94	+0.04			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.84	94.81	-0.03	94.84	94.80	22339	197137
Jun	94.23	94.19	-0.04	94.23	94.17	21744	148991
Sep	93.84	93.82	-0.03	93.84	93.80	16754	93981
Dec	93.45	93.44	-0.04	93.46	93.42	5991	68344

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.14	90.20	+0.28	90.25	90.12	9104	35050
Jun	89.55	89.61	+0.23	89.66	89.55	3061	20229
Sep	89.27	89.29	+0.20	89.36	89.25	968	26840
Dec	89.00	89.07	+0.20	89.13	89.00	566	15864

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.67	95.64	-0.04	95.67	95.62	2703	23481
Jun	95.35	95.32	-0.04	95.35	95.31	1358	9437
Sep	95.06	95.03	-0.04	95.05	95.03	180	5389
Dec	94.80	94.78	-0.04	94.80	94.78	181	2761

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.38	93.39	+0.03	93.41	93.36	1242	9584
Jun	92.88	92.90	+0.03	92.92	92.88	577	5490
Sep	92.49	92.49	+0.01	92.52	92.49	95	2954
Dec	92.10	92.10	+0.02	92.11	92.10	60	1575

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.12	16.79	4.853	2.048	5086	5.444	21.21	502.7	422.4	23.68	4.076	2.024	4.487	3.175	311.7	2.564
Denmark	(DKr)	52.29	10	8.779	2.538	1.071	2660	2.847	11.09	262.9	220.9	12.38	2.131	1.058	2.346	1.660	163.0	1.341
France	(FFr)	59.57	11.39	10	2.891	1.220	3030	3.243	12.63	299.5	251.6	14.10	2.428	1.206	2.673	1.892	185.7	1.527
Germany	(DM)	20.60	3.940	3.459	1	0.422	1048	1.122	4.370	103.6	87.03	4.879	0.840	0.417	0.925	0.654	64.22	0.528
Ireland	(I£)	48.82	9.337	8.197	2.370	1	2483	2.658	10.36	245.5	206.2	11.56	1.990	0.988	2.191	1.550	152.2	1.252
Italy	(L)	1.966	0.376	0.330	0.095	0.040	100.	0.107	0.417	9.885	8.305	0.466	0.080	0.040	0.088	0.062	6.128	0.050
Netherlands	(Fl)	18.37	3.513	3.084	0.891	0.376	934.2	1	3.896	92.34	77.58	4.349	0.749	0.372	0.824	0.583	57.25	0.471
Norway	(NKr)	47.15	9.016	7.915	2.288	0.966	2398	2.567	10	237.0	199.1	11.16	1.922	0.954	2.115	1.497	146.9	1.209
Portugal	(Es)	19.89	3.804	3.339	0.965	0.407	1012	1.083	4.219	100.	84.02	4.710	0.811	0.403	0.893	0.632	62.00	0.510
Spain	(Pta)	23.68	4.528	3.975	1.149	0.485	1204	1.289	5.022	119.0	100.	5.606	0.965	0.479	1.062	0.752	73.79	0.607
Sweden	(SKr)	42.23	8.076	7.090	2.050	0.865	2148	2.299	8.957	212.3	178.4	10	1.721	0.855	1.895	1.341	131.6	1.083
Switzerland	(SFr)	24.53	4.692	4.119	1.191	0.502	1248	1.336	5.204	123.3	103.6	5.809	1	0.497	1.101	0.779	76.46	0.629
UK	(£)	49.41	9.449	8.295	2.398	1.012	2513	2.690	10.48	248.4	208.7	11.70	2.014	1	2.217	1.569	154.0	1.267
Canada	(C$)	22.29	4.262	3.742	1.082	0.456	1134	1.213	4.727	112.0	94.14	5.277	0.908	0.451	1	0.708	69.46	0.571
US	($)	31.49	6.022	5.287	1.528	0.645	1602	1.714	6.679	158.3	133.0	7.457	1.284	0.637	1.413	1	98.15	0.808
Japan	(Y)	32.08	6.136	5.386	1.557	0.657	1632	1.747	6.805	161.3	135.5	7.597	1.308	0.649	1.440	1.019	100.	0.823
Ecu		39.00	7.458	6.547	1.893	0.799	1983	2.123	8.272	196.1	164.7	9.234	1.590	0.789	1.750	1.238	121.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6533	0.6543	+0.0009	0.6559	0.6512	28,356	75,992
Jun	0.6547	0.6566	+0.0009	0.6578	0.6547	347	2,067
Sep	-	0.6591	+0.0007	0.6586	-	10	148

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.0225	1.0208	-	1.0260	1.0189	37,162	78,698
Jun	1.0336	1.0327	+0.0001	1.0380	1.0324	512	7,997
Sep	-	1.0454	+0.0002	1.0488	-	7	369

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7778	0.7808	+0.0016	0.7825	0.7751	19,773	38,207
Jun	0.7831	0.7857	+0.0015	0.7870	0.7826	86	932
Sep	-	0.7914	+0.0014	-	-	1	64

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.5690	1.5694	+0.0016	1.5708	1.5662	30,256	37,772
Jun	1.5690	1.5680	+0.0010	1.5700	1.5670	414	1,269
Sep	-	1.5670	+0.0006	1.5690	-	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 5⅞	6 3/16 - 5 13/16	6⅛ - 5 13/16	6½ - 6⅜	7 - 6⅞	7½ - 7⅜
Sterling CDs	-	-	6 1/32 - 5 15/16	6⅜ - 6¼	6 15/16 - 6 13/16	7 9/16 - 7 7/16
Treasury Bills	-	-	5¾ - 5 11/16	6 1/16 - 6	-	-
Bank Bills	-	-	5 29/32 - 5 27/32	6 11/32 - 6 9/32	6⅞ - 6¾	-
Local authority deps.	5 13/16 - 5 11/16	5 13/16 - 5 11/16	6⅛ - 5 15/16	6 5/16 - 6 7/16	7⅛ - 6 15/16	7 13/16 - 7 11/16
Discount Market deps	6¾ - 6⅛	6 1/16 - 5 13/16	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount 5.8155pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.93	92.87	-0.07	92.93	92.85	17367	95239
Jun	92.25	92.17	-0.09	92.25	92.13	13070	67377
Sep	91.74	91.67	-0.09	91.75	91.66	4778	58502
Dec	*91.40*	*91.35*	*-0.06*	*91.40*	*91.33*	*2847*	*48157*

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9275	0.25	0.14	0.12	0.13	0.72	1.20
9300	0.11	0.08	0.07	0.24	0.91	1.40
9325	0.04	0.04	0.04	0.42	1.12	1.62

Est. vol. total, Calls 1445 Puts 2788. Previous day's open int., Calls 103823 Puts 100388

EMS EUROPEAN CURRENCY UNIT RATES

Jan 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13274	+0.00348	-2.91	10.29	-
Belgium	40.2123	39.1684	+0.025	-2.60	9.93	19
Germany	1.94964	1.90176	+0.0028	-2.46	9.78	-
Austria	13.7167	13.3823	+0.0197	-2.44	9.76	-
Ireland	0.808628	0.799204	+0.001326	-1.17	8.34	8
France	6.53883	6.57409	+0.00353	0.54	6.51	-5
Denmark	7.43679	7.49122	+0.00553	0.73	6.30	-5
Portugal	192.854	196.3810	+0.0184	1.83	5.16	-12
Spain	154.250	165.170	-0.136	7.08	0.00	-48
NON ERM MEMBERS						
Greece	264.513	295.859	+0.416	11.85	-4.27	-
Italy	1793.19	1985.07	-22.71	10.70	-3.27	-
UK	0.786749	0.789121	+0.000245	0.30	6.78	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	6.93	7.05	7.29	-	0.14	0.45
1.525	4.56	4.89	5.31	0.10	0.46	0.93
1.550	2.53	3.05	3.62	0.51	1.10	1.70
1.575	1.05	1.71	2.34	1.52	2.19	2.78
1.600	0.32	0.84	1.40	3.23	3.75	4.31
1.625	0.05	0.35	0.77	5.44	5.73	6.14

Previous day's vol., Calls 12,482 Puts 7,381 . Prev. day's open int., Calls 234,812 Puts 275,935

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.32	93.31	-0.01	93.32	93.30	318,688	444,330
Jun	92.64	92.64	-	92.65	92.61	299,923	386,196
Sep	92.27	92.27	-	92.29	92.26	176,453	285,304

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.95	93.94	-	93.96	93.94	4,447	13,147
Jun	93.27	93.27	-	93.29	93.27	2,381	5,516
Sep	92.93	92.93	-0.01	92.93	92.82	159	2,400

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9450	0.11	0.16	0.19	0.12	0	0.05	0.08	0.43
9475	0	0.04	0.06	0.05	0.14	0.18	0.20	0.61
9500	0	0.01	0.02	0.03	0.39	0.40	0.41	0.84

Est. vol. total, Calls 1964 Puts 2655. Previous day's open int., Calls 152422 Puts 203715

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9550	0.19	0.15	0.15	0.05	0.33	0.62
9575	0.06	0.07	0.09	0.17	0.50	0.81
9600	0.02	0.03	0.04	0.38	0.71	1.01

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1695 Puts 1668

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai.	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	*Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

INTERNATIONAL CAPITAL MARKETS

Calm returns to the high yielding sector

By Richard Lapper

A semblance of calm returned to the higher yielding European markets yesterday following the volatility of recent weeks, with Italian markets especially boosted by the relaxation of political tensions.

Elsewhere, US markets were closed for the Martin Luther King holiday and the German and UK markets both drifted down marginally in thin trading.

The Italy market was boosted by the expectation that a new administration, formed by Mr Lamberto Dini, who was nominated prime minister last week, should be able to pass a mini-budget in the first few months of this year.

There was little doubting the strength of sentiment yesterday, with the March bond future on Liffe rising by 0.96 to close at 99.71, and then to 99.78 in late trading.

In the cash market, the 10-year yield spread of the BTP over its German counterpart, which had increased to more than 500 basis points this year, narrowed sharply, closing at 472 basis points, down 24 basis points on the day.

GOVERNMENT BONDS

The markets also responded positively to an auction of both medium-dated and 10-year paper by the treasury. An issue of L2,500bn in CCTs attracted bids of L5,500bn and L1,000bn of 10-year bonds carrying a 9.5 per cent coupon was more than three times oversubscribed.

■ In Spain, bond markets moved sideways, with fears over the future of Mr Felipe Gonzalez's government continuing to depress sentiment.

The March futures contract on the 10-year year bond fell by 0.01, closing at 83.42. Earlier in the day, prices were bolstered by firmer currency markets.

The yield spread over Germany narrowed by 6 basis points to 439 basis points, compared with 445 basis points at the end of last week.

■ Swedish bonds closed higher, with the spread of 10-year paper over Germany narrowing to 352 basis points from 363 basis points last week.

■ In Germany, the March 10-year bond futures contract on Liffe closed 0.09 lower at 89.65, compared with Friday's close of 89.74. Traders said a stronger than expected rise in West German wholesale prices had a marginally negative impact and that trading had been light.

Traders are awaiting the release later this week of December M3 money supply data, amid expectations of a further decline in growth.

■ In the UK, the long gilt future on Liffe closed down $\frac{1}{32}$ at $101\frac{3}{16}$. Sentiment was weakened by mildly disappointing rises in producer input and output prices. UK output prices rose by 0.7 per cent in December, after a 0.2 per cent rise in November, bringing the year-on-year rate of output inflation to 2.6 per cent.

■ In France, the March Notionnel settled slightly higher in thin trading, closing at 110.74, up 0.08 on Friday's close. In the cash market the yield spread over the bund narrowed by 4 basis points to 64 basis points.

■ Stability in the peripheral markets has also helped bolster Brady bonds, which are issued by Latin American and other governments from the emerging markets in exchange for restructured commercial bank debt.

Prices of the widely traded Mexican paper closed up by about one cent, as did Nigeria and Moroccan Bradys, according to Morgan Grenfell Emerging Markets in London. Brazilian and Argentine paper ended a day of light trading either flat or marginally lower.

Yesterday's increase follows a sharp rise in prices towards the end of last week, when Bradys recovered much of the ground lost on Monday and Tuesday.

The J.P. Morgan Emerging Market Bond Index, which measures total returns, closed at 168.82 on Friday, compared with its closing level of 143.37 on Tuesday.

● From today, the Financial Times has expanded its benchmark government bonds table to include coverage of issues from Austria, Ireland, Portugal and Sweden.

GDR issue to help fund cement plant in Pakistan

By Conner Middelmann

Pakistan's first international equity issue this year, a $70m global depositary receipt (GDR) issue for Pakistan's Hercules Cement, kicked off yesterday with a presentation to investors in Hong Kong.

The issue, led by ABN Amro, makes up the equity portion of a $216m green-field project financing for the Nishat Group, one of Pakistan's leading business groups.

Other portions of the project will be financed by credits and a syndicated loan. Proceeds will go towards the construction of a cement plant in the northern province of Punjab which is expected to start production in early 1998.

The roadshow will continue in Singapore, the Middle East, Europe, the UK and the US until February 27. Following book-building over this period, the issue will be priced and allocated on January 30 and will be offered in the US under Rule 144a.

Indicative pricing is for Rs10 to Rs15 per share, with one GDR representing 20 shares.

The GDRs will be listed on Luxembourg's stock exchange following the domestic initial public offering, which is to take place within a year. If the IPO does not materialise during that time, investors can sell the shares back to the Nishat Group at the original issue price plus accrued interest.

The deal will be an important gauge of investor interest in Pakistan, following last year's somewhat controversial Pakistan Tekecom sale.

"Investors are very cautious, not just about Pakistan but the emerging markets in general," said one syndicate official.

Think-tank finds improvement in use of derivatives

By Richard Lapper

Buyers and sellers of derivatives have improved the way they manage the risks linked to the use of these instruments, according to a survey published yesterday by the Group of 30, a Washington-based think-tank.

DERIVATIVE INSTRUMENTS

The survey examines the extent to which dealers and so-called end-users (companies and investors which buy derivatives) have implemented the 1993 recommendations made by the group. It provides a generally positive picture but also notes some short-comings.

"There has been some improvement," concluded Mr Stephen Kingsley, partner with Arthur Andersen, the accountancy and management consultancy which assisted with the survey. "But there is still quite a long way to go for end-users."

The group circulated 300 dealers and 600 end-users with the survey, which was prepared with the help of the International Swaps and Derivatives Association, the industry body, and Arthur Andersen. Some 125 dealers and 149 end-users responded.

The original Group of 30 report, which has been regarded as a benchmark for good derivatives management, contained as a central recommendation that senior management have some control over derivatives activity.

It also advised dealers to mark their positions to market (adjust the valuation of positions in line with market movements) and to run stress simulations to determine how portfolios would respond to abnormal market movements.

The new survey, conducted during last year, found that the boards of 93 per cent of dealers who responded have reviewed and approved their companies' risk management policies in line with the group's original recommendations.

Also, the senior managements of 77 per cent of dealers who have more than 10,000 derivatives transactions on their books have directed that their firms' risk management practices be benchmarked against the recommendations.

The senior financial management of 93 per cent of end-users have reviewed and approved procedures and controls for implementing their firm's risk management policies for derivatives trading, operations, accounting and disclosure.

However, Mr Kingsley pointed to a number of shortcomings. He said that only 8 per cent of respondents take into account unforeseen collateral obligations or cash margin calls when they are conducting stress tests.

In addition, only 24 per cent of end-users surveyed disclose publicly their methods and policies for monitoring and controlling risks, although 13 per cent of respondents said they expect to begin doing so over the next 12 months.

Ms Judith Harris-Jones, a corporate treasury consultant at Arthur Andersen, said: "Disclosure of policy is the way the board can communicate to investors the stance it is taking in relation to the risks a company faces. A lack of willingness to disclose may indicate a lack of clarity and understanding."

Quiet day dominated by Depfa and KfW deals

By Martin Brice

Euromarket offers were scarce yesterday as issuance in minor currencies was discouraged by volatility and the US and Japan were closed for holidays.

Attention shifted to the US Federal National Mortgage Association (Fannie Mae) $1bn global callable issue, which some syndicates believe will come today or tomorrow.

INTERNATIONAL BONDS

The bonds are expected to come through Merrill Lynch and Lehman Brothers, and have a 10-year maturity callable after five years. They were set to be the first global callable bonds until Friday, when J.P. Morgan brought a $500m two-year callable issue for the Federal Home Loan Bank.

US agencies, which traditionally issue callable bonds inside the domestic market to manage their assets, are seeking to widen their investor base.

The bonds issued on Friday via J.P. Morgan were said to have been 80 per cent sold outside the US, and around 75 per cent of investors were thought to be first-time buyers of callable debt.

Yesterday's issuance was dominated by the D-Mark sector, with two issues totalling DM2bn.

The largest, for Depfa Bank, was DM1.5bn of floating-rate notes with a two-year plus one day maturity and a coupon of three-month Libor. Trinkaus & Burkhardt, handling its first issue for Depfa, said: "We felt comfortable with this deal."

Mr Frank Reuhland, treasurer of Depfa, said more than 50 per cent of the bonds had been sold internationally, to retail investors in Luxembourg, Switzerland and to UK institutions.

He said: "Foreigners are more pessimistic about interest rates than domestic investors, so foreigners have a bigger appetite for floaters."

He added that the funds, which were not swapped, will be used to refinance variable-rate mortgages. Depfa had a DM18bn borrowing programme in 1994, and plans to raise DM20bn in 1995, he said. It has already raised DM3bn.

The other D-Mark issue was via Deutsche Bank for KfW, the German reconstruction agency. The DM500m of bonds had a five-year maturity and a coupon of 7½ per cent and were an increase to the DM1bn deal launched a week ago and handled by Bayerische Landesbank and Commerzbank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
Depfa Bank(a)‡	1.5bn	(a1)	100.095	Feb.1997	0.10	-	Trinkaus & Burkhardt
KfW International Finance(b)	500	7.50	100.80R	Jan.2000	0.25R	+15(7%-99)	Deutsche Bank
GUILDERS							
SNS Groep	350	7.75	99.25R	Feb.2002	0.35R	+34(8¼%-02)	Nibstrating Financial Mkts.
LUXEMBOURG FRANCS							
Eksportfinans(c)	2bn	8.00	102.70	Jan.2000	1.75	-	ABN Amro(Lux)/Paribas Lux.
AUSTRALIAN DOLLARS							
Swedish Export Credit★	100	5.00	88.25	Feb.1998	undiscl.	-	Daiwa Europe

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ ‡‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Pfandbrief series 325. a1) 3-mth Libor flat. Long last coupon. b) Issue launched 9/1/94 was increased to DM1.5bn. c) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.1400	+0.690	10.30	7.79	10.09
Austria		7.625	10/04	99.1600	−0.150	7.74	7.70	7.58
Belgium		7.750	10/04	95.3600	−0.020	8.46	8.54	8.23
Canada *		9.000	12/04	97.8500	+0.200	9.34	9.28	9.02
Denmark		7.000	12/04	86.8500	+0.050	9.06	9.15	8.60
France	BTAN	8.000	05/98	100.8750	+0.120	7.68	7.88	7.27
	OAT	7.500	04/05	95.3200	+0.080	8.18	8.38	7.87
Germany Bund		7.375	01/05	98.9100	−0.110	7.53	7.72	7.31
Ireland		6.250	10/04	82.6500	−0.150	8.78†	8.78	8.56
Italy		8.500	08/04	80.8900	+0.950	11.91	11.60	11.59
Japan	No 119	4.800	06/99	103.5850	−0.080	3.86	3.95	3.94
	No 164	4.100	12/03	96.5950	−0.030	4.64	4.72	4.66
Netherlands		7.250	10/04	97.0500	−0.130	7.68	7.85	7.45
Portugal		8.875	01/04	82.4100	-	11.64	11.63	11.48
Spain		10.000	02/05	88.2600	+0.250	11.88	12.05	11.13
Sweden		6.000	02/05	70.1870	+0.430	11.06	11.08	10.87
UK Gilts		8.000	08/99	90-15	−4/32	8.57	8.66	8.45
		6.750	11/04	87-23	-	8.63	8.73	8.54
		9.000	10/08	102-31	-	8.63	8.69	8.50
US Treasury *		7.875	11/04	0-00	-	0.00	7.90	7.83
		7.500	11/24	0-00	-	0.00	7.90	8.14
ECU (French Govt)		6.000	04/04	83.7200	+0.070	8.62	8.78	8.60

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	8½	One month	5.47	Two year	7.34
Broker loan rate	8½	Two month	5.54	Three year	7.52
Fed.funds	-	Three month	5.71	Five year	7.63
Fed.funds at intervention	-	Six month	6.37	10-year	7.88
		One year	6.87	30-year	7.79

(Treasury Bills and Bond Yields)

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.68	110.74	+0.08	110.88	110.62	81,826	130,517
Jun	109.98	110.00	+0.08	110.00	109.92	2,210	3,643
Sep	109.42	109.42	+0.06	109.42	109.42	18	1,417

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	-	2.06	2.23	0.05	0.40	1.24
110	0.88	1.38	-	0.18	0.67	1.63
111	0.30	0.84	1.17	0.55	1.05	2.17
112	0.05	0.42	0.74	-	-	-
113	-	0.19	0.48	-	-	-

Est. vol. total, Calls 11,190 Puts 20,633. Previous day's open int., Calls 181,936 Puts 157,787.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.80	89.65	-0.09	89.80	89.55	65834	192349
Jun	89.05	89.06	-0.09	89.10	89.00	692	2871

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8950	0.39	0.75	0.68	0.98	0.24	0.60	1.10	1.40
9000	0.17	0.51	0.49	0.78	0.52	0.86	1.41	1.70
9050	0.06	0.32	0.35	0.61	0.91	1.17	1.77	2.03

Est. vol. total, Calls 11219 Puts 5716. Previous day's open int., Calls 194386 Puts 121056

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.40	99.71	+0.96	100.05	99.25	40251	49779
Jun		98.86	+0.96			0	55

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	1.37	2.19	1.16	2.83
10000	1.10	1.98	1.39	3.12
10050	0.87	1.78	1.66	3.42

Est. vol. total, Calls 2738 Puts 2472. Previous day's open int., Calls 20425 Puts 19684

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	83.84	83.42	-0.01	83.72	83.09	53,686	53,719
Jun	-	82.61	-	-	-	-	50

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101-08	101-10	-0-01	101-11	101-02	21785	94356
Jun	101-10	101-12	-0-03	101-10	101-08	114	358

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
101	1-13	2-10	0-57	1-50
102	0-45	1-44	1-25	2-20
103	0-24	1-18	2-04	2-58

Est. vol. total, Calls 1324 Puts 4113. Previous day's open int., Calls 37235 Puts 39909

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.80	80.80	+0.08	81.00	80.76	2,950	6,132
Jun	-	80.54	+0.06	-	-	-	1

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% Jan 13

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	99-05	100-04	+1-00	100-14	99-04	379,345	369,511
Jun	98-23	99-22	+1-00	99-31	98-23	701	17,101
Sep	98-20	99-13	+0-31	99-18	98-20	182	1,479

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.45			108.54	108.40	446	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jan 16	Day's change %	Fri Jan 13	Accrued interest	xd adj. ytd		Low coupon yield Jan 16	Jan 13	Yr. ago	Medium coupon yield Jan 16	Jan 13	Yr. ago	High coupon yield Jan 16	Jan 13	Yr. ago
1 Up to 5 years (24)	118.82	−0.01	119.23	1.56	0.90	5 yrs	8.63	8.62	5.77	8.65	8.62	6.01	8.84	8.81	6.12
2 5-15 years (22)	139.95	−0.07	140.05	2.71	0.00	15 yrs	8.54	8.52	6.51	8.66	8.64	6.62	8.89	8.88	6.82
3 Over 15 years (9)	155.33	−0.12	155.52	2.27	1.19	20 yrs	8.51	8.48	6.62	8.66	8.64	6.66	8.84	8.82	6.83
4 Irredeemables (6)	176.35	−0.38	177.03	1.87	0.00	Irred.†	8.58	8.54	6.73						
5 All stocks (61)	136.55	−0.06	136.78	2.26	0.51										

Index-linked	Mon Jan 16	Day's change %	Fri Jan 13	Accrued interest	xd adj. ytd		Inflation 5% Jan 16	Jan 13	Yr. ago	Inflation 10% Jan 16	Jan 13	Yr. ago
6 Up to 5 years (2)	187.94	+0.03	187.88	1.48	0.00	Up to 5 yrs	4.06	4.07	2.25	2.89	2.89	1.47
7 Over 5 years (11)	173.74	+0.12	173.53	0.68	0.29	Over 5 yrs	3.88	3.89	3.00	3.71	3.71	2.84
8 All stocks (13)	174.32	+0.11	174.12	0.75	0.26							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 16	Jan 13	Jan 12	Jan 11	Jan 10	Yr ago	High*	Low*
Govt. Secs. (UK)	90.97	91.12	90.75	90.83	90.60	105.75	107.04	89.54
Fixed Interest	109.25	109.25	109.16	109.22	109.06	131.54	233.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9
Gilt Edged bargains	80.4	78.7	85.8	89.3	86.6
5-day average	84.2	83.7	85.1	85.0	83.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 16

[illegible]

UK GILTS PRICES

[illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cu 2nd Prf	97½	+½	117	88¼	12.2	10.3	–
9¾pc Non-Cum Prf	117	—	137½	107	46.8	10.4	–
Cater Allen ♣†N□	454	—	*630¼	443	148.0	7.8	9.4
Close Bros ♣N	223	-2	*286½	203	212.3	4.2	10.1
Garrard & Nat ♣†N□	485	—	515	395	237.7	6.1	14.1
Hambros ♣N□	248	-1	473	209	434.2	7.6	15.1
7½pc Cv Pf	110	+½	191	99½	141.7	8.5	–
Joseph (L) ♣†N	395	—	443	393	20.9	5.6	11.5
King & Shaxson ♣N	103xd	—	170	103	17.9	10.9	10.2
Kleinwort Benson ♣†N□	545	+4	693	424	727.0	4.4	8.6
Rea Bros ♣†N□	66	—	79	53	27.4	1.8	18.6
Schroders ♣†N□	1468	+10	1574	1050	1,463	1.8	13.3
N/V †N	1313	+5	1458	1043	380.8	1.8	12.0
Singer & Fried ♣†N□	85½	—	114	75	168.0	4.8	11.0
Union ♣†N□	92	—	*198	87	24.5	6.1	8.5
Warburg (SG) ♣N□	688	+15	1012	569	1,513	4.0	12.6
Wintrust ♣N	215	—	398	203	18.3	6.0	14.4

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Shaw (A) ♣†N	25xd	—	*29¼	14	8.76	2.9	5.4
Spring Ram ♣N□	40	+½	*81½	39	181.3	1.6	–
Sycamore □	22	—	*42	18	0.75	–	–
Tarmac N□	114	—	208	113	1,050	6.0	–
Tilbury ♣N	158xd	—	228	157	17.3	3.5	[illegible]
Travis Perkins †N□	283	—	378	274	298.6	3.7	17.4
Tudor ♣N	25	—	29	21	2.73	1.2	–
Unigroup □	38	—	54	33	11.3	–	–
Universal Ceramic LN□	98	—	105	86	21.1	4.9	13.4
Waterhouse ♣	43	—	63	33	1.07	–	–
Wickes †N□	88	—	139	87	327.2	1.8	19.8
Wolseley ♣N□	708xd	+2	875	705	2,103	2.7	15.1

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

FOR MERCHANT BANKS SEE BANKS, MERCHANT

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31	...	£34	£13½	2,022	2.4	22.7
Barlow	♣	£5⅞xd	+1/16	£5¾	£3⅞	1,079	1.9	19.1
Gold Flds Prop R		139xd	...	152	75	14.2	7.8	Φ
NK Props		87½	...	98	85	3.52	13.8	-
SASOL	♥	486	-7	582	280	2,803	2.9	-
SA Brews	†	£14⅞	...	£16⅞	£10	3,980	2.0	22.2
Tiger Oats		750	...	838	538	1,128	2.0	17.5
Tongaat-Hulett	†n	701	...	*725	356¼	838.9	2.1	20.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2 1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Lazard Fund Mngrs - Contd.

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$14.71	15.44	-0.22	-
Wells Fargo U.S. IT Fund				
[illegible]	[illegible]		[illegible]	-
[illegible]	[illegible]		[illegible]	-
Worldwide Limited				
NAV Nov 30	$83.14		-	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	[illegible]		-	-
[illegible]	[illegible]		-	-
[illegible]	[illegible]		-	-
Yamaichi Capital Management (Guernsey) Ltd				
Thai Inv Fund	$20.19		-	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♣) - 1101 to 1400 hours
(♦) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
a - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
$$ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies.
Φ - Yield column shows annualised rates of NAV increase
xd - Ex-dividend.

LONDON STOCK EXCHANGE

MARKET REPORT

Strong close after an active trading session

By Terry Byland,
UK Stock Market Editor

THE UK stock market continued to respond positively yesterday to the more stable mood in currencies and was not restrained by holiday closure of markets in Japan and, effectively, in the US. London's advance was triggered by the 49-point rise in the Dow Industrial Average on Friday and, after brushing off the ill effects of an unexpected rise in domestic output prices, UK shares moved up again to close last night at the best of the day.

With most US federal markets closed for Martin Luther King Day, the further rise of 18 points on the Dow in UK trading hours yesterday was not taken at face value in London. Traders warned that the 1.4 per cent rise in the FT-SE 100-share Index since last Thursday will not be fully tested until the US dollar and bond markets return to business this morning. This week will bring a heavy list of data on the US and UK economies, and on the last day of the month markets face the meeting of the Federal Reserve's Open Market Committee.

The final reading of 3,076.7 on the FT-SE 100 Index yesterday showed a gain of 28.4 on the session. Trading volume was good, with 566.2m shares passing through the Seaq electronic network compared with just over 515m on Friday. The FT-SE Mid 250 Index, less closely influenced by global currency factors than the Footsie, climbed only 8.6 to 3,473.9.

Disclosure that UK output prices gained 0.7 per cent last month was regarded as negative news for equities, since it appeared to strengthen the case for bringing forward the next upward moved in base rates. There were also reports, late in the session, that the governor of the Bank of England had warned that some input price pressures had begun to affect producer output prices.

But London was pinning its faith on Wall Street's confidence that the Federal Reserve is less likely to press for higher US interest rates in the wake of Friday's unexpected dip in retail sales.

The lack of a clear lead from the major global equity markets threw attention in London on domestic corporate developments. The retail sector, still awaiting a reliable picture of the all-important Christmas trading season, paid little heed to trading statements from House of Fraser and from Allders, the department store and duty free retailer.

Still pending are the trading reports from the big names in the sector. Kingfisher reports this week and Marks and Spencer is also expected shortly.

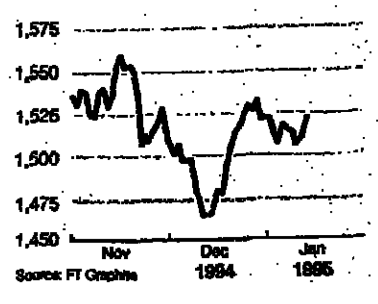
Telecommunications stocks were active after Veba, of Germany, confirmed that Cable and Wireless is among several European telecommunications groups with which it is discussing a prospective alliance in the important German telecommunciations market. BT disclosed last week its own move towards this lucrative market via a link-up with Viag, of Germany.

In the property sector, the market responded cautiously to the news that Hammerson is to invest £24m in a substantial shopping centre venture in northern Paris. Elsewhere there was a sharp rise in Saatchi & Saatchi as a leading investment fund sharply increased its stake and the market waited eagerly for news from the meeting of the Saatchi board as it faces the implications of recent losses in management staff and clients.

Market strategists were favourably impressed by the UK stock market's performance. Over the first fortnight of the year, shares have largely succeeded in resisting potentially unsettling influences from currency markets.

In yesterday's advance, which will be vulnerable to any setback on Wall Street, the Footsie index moved comfortably above last year's closing mark, and trading volumes have recovered to levels associated with profitable trading at the UK securities houses.

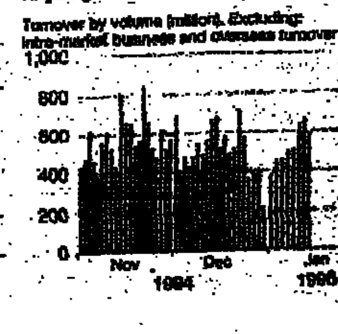
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3076.7	+28.4
FT-SE Mid 250	3473.9	+8.6
FT-SE-A 350	1538.7	+11.8
FT-SE-A All-Share	1522.47	+10.88
FT-SE-A All-Share yield	4.01	(4.04)
FT Ordinary index	2365.6	+19.8
FT-SE-A Non Fins p/e	17.96	(17.81)
FT-SE 100 Fut Mar	3100.0	+32.0
10 yr Gilt yield	8.71	(8.71)
Long gilt/equity yld ratio:	2.20	(2.18)

Best performing sectors

1. Tobacco .... +2.3
2. Gas Distribution .... +1.5
3. Banks, Retail .... +1.3
4. Paper, Pckg & Printing .... +1.3
5. Retailers, Food .... +1.2

Worst performing sectors

1. Transport .... -0.3
2. Electricity .... -0.1
3. Building & Construc .... -0.1
4. FT-SE SmallCap ex IT .... +0.0
5. Property .... +0.0

Telecoms sector busy

The focus of interest in the telecoms sector, which has mostly been concentrated on BT during the past few weeks, shifted to Cable and Wireless after reports that the group is involved in talks with Veba, the German conglomerate, which could lead to a joint venture in the German telecoms market.

Reports suggested that as part of any joint venture Veba may well take a substantial shareholding in C&W, possibly 10 per cent. One telecoms specialist said such a move by Veba was "entirely feasible; Veba has the resources and the motivation to do such a deal". C&W and Veba have joined forces on a number of occasions in the past, seeking joint mobile telephone deals in Germany and France.

C&W shares jumped 12 to 377½p ex-dividend on the stories, their best level so far this year. Turnover in the stock was a hefty 8.3m.

Part of the advance in C&W was attributed to switching out of BT, whose shares have performed strongly in recent sessions, following news of its link with Viag, the German industrial and energy group. BT shares relinquished 3 at 405½p ex-dividend on turnover of 9.4m.

Wellcome easier

Pharmaceuticals group Wellcome suffered renewed pressure on a combination of newspaper comment and a slack US market.

One Sunday newspaper suggested that Wellcome's marketing joint venture with Warner Lambert might be under threat following failure to achieve approval for its Zovirax anti-herpes treatment. Also, Wall Street, the source of much recent buying of drug stocks, was quiet because of holiday closures, and Wellcome shares drifted down 6 to 658p.

Lehman Brothers, the US investment house, has reduced its earnings per share growth forecast for the company in response to the Zovirax news and believes the shares are now fairly valued at around 650p. However, it has retained its positive recommendation and thinks that there is bid support. Also, Wertheim Schroder reiterated its positive stance, saying the Zovirax problem had been overstated.

Having outperformed the market as a whole by 7 per cent over the past month, British Airways ran into profit-taking, dipping 6 to 379p on 2.7m turnover. Results are due on Friday from the airline's loss-making US associate USAir.

The Scottish electricity generators were the star turns in an otherwise depressed utilities sector, with dealers noting keen interest for the two stocks after their recent bout of underperformance against the recs and the English generators. Scottish Power climbed 7½ to 340½p – in good turnover of 1.2m – and Hydro-Electric gained 7 at 324p.

Activity in the recs was much reduced, with the market waiting for news from the Office of Fair Trading on whether it will refer the bid for Northern Electricity from Trafalgar House to the Monopolies and Mergers Commission. Northern shares slipped 10 to 980p ex-dividend.

A series of big trades in Fortune Oil saw turnover in the stock reach 87m, easily the heaviest traded stock in the London market. The bulk of the turnover came from an agency cross involving 27m shares, or 2.5 per cent of the company's issued capital, changing hands at 5¼p.

Enterprise Oil moved ahead 8 to 401p after an institutional buying order.

Shares in Berisford International, which last traded at 228p on December 19, prior to being suspended ahead of the £317m rights issues to fund the £295m purchase of Welbilt, the US food manufacturing equipment maker, returned to the market in splendid form.

They opened at 274p and touched 277p before settling at 273p. Turnover in the stock was 6.2m.

Tadpole Technology, the computers group, was one of the market's biggest casualties, the shares plunging 82 or 24 per cent to 252p after the group shocked the market by warning of bigger than expected losses in the first quarter of the year.

Advertising group Saatchi & Saatchi rebounded 9 to 111p as PDFM, the aggressive fund manager, announced that it had increased its stake to 13.6 per cent and the market awaited the outcome of a board meeting. The group is expected to change its name following the meeting.

Bank note printer De La Rue jumped 20 to 1004p as it announced that its offer for security and specialist paper maker Portals had gone unconditional pending regulatory approvals.

Chemicals leader ICI jumped 17 to 785p as the market focused its attention on the rise in commodity prices. S.G. Warburg has been recommending the shares and dealers said Goldman Sachs was bidding for stock.

Turnover in Babcock International surged to 13m shares as the stock market latched on to the possibility of big power station orders from China following the recent award of a £1.8bn contract to two French companies.

Large lines of stock changing hands included 5.7m at 27½p and 2.3m at 27¾p. The shares closed slightly easier at 28¼p.

British Steel improved 3½ to 151p following a favourable note from Hoare Govett.

After an initial spurt to 237p, diversified industrial Tomkins closed unchanged at 230p in 5.8m turnover following interim results marginally ahead of analysts' forecasts.

A buy recommendation from Lehman Brothers based on firm prices for commodities such as polyethylene and titanium lifted Hanson 5¾ to 245¾p. High street retailer Kingfisher, which publishes a trading update tomorrow, languished for most of the session, the shares weakened by weekend press reports suggesting Christmas sales were below expectations. The shares closed ½ off at 427½p.

Bumper figures from Eurocamp, together with news of a 10 per cent increase in bookings, saw the group's shares jump 18 to 270p.

House of Fraser came under pressure as brokers downgraded profits expectations after the group said that pressure on margins due to price-cutting of winter fashions would affect its year-end results. The shares closed 3 lower at 367p.

Department store and duty free retailer Allders hardened 4 to 213p, after it reported a 5.8 per cent increase in sales on a year earlier, for the 15 weeks to mid-January 1995. Talk that drinks group Cadbury Schweppes would soon buy up the rest of Dr Pepper, the US group in which it has a 24 per cent stake, persisted and the shares lost a penny at 413p. Analysts at Credit Lyonnais Laing advised investors to switch out of Cadbury and into Tate & Lyle, which gained 7 at 437p on the recommendation.

Speculation that leisure group Ladbroke would soon announce the sale of its DIY subsidiary Texas Homecare to food retailer J. Sainsbury continued yesterday. Shares in the former firmed 3 to 174p, while those in Sainsbury moved 6½ ahead to 423½p.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	275	338½	+2
ASDA Group†	11,000	68¼	+1¼
Abbey National†	3,200	435	-4
Albert Fisher	242	45	
Allied Domecq†	1,300	540	+8
Anglian Water	204	493	+1
Argos	426	351	+3
Argyll Group†	3,500	268	+3
Arjo Wiggins†	2,800	245	+4½
Assoc. Brit. Foods†	503	589	+6½
Assoc. Brit. Ports	1,300	276	+1
BAA†	1,500	480	-1
BAT Inds.†	5,100	460½	+10½
BET	1,000	111	-½
BICC	418	338	+½
BOC†	424	729	+7
BP†	4,300	422½	+5½
BPB Inds.	303	308	+4
BT†	9,400	405½	-3½
BTR†	6,500	308½	+1
Bank of Scotland†	613	205	+8
Barclays†	3,700	589	+2
Bass†	1,200	523	+9
Blue Circle†	2,600	286	+2
Booker	413	408	-8
Boots†	1,600	495½	+5½
Bowater†	938	437	+9
Brit. Aerospace†	1,400	448	+4
British Airways†	2,700	379	-6
British Gas†	4,600	314	+5
British Land	1,100	365	+2
British Steel†	10,000	151	+3½
Bunzl	1,700	173	+2
Burmah Castrol†	701	850	+7
Burton	2,300	67½	+1½
Cable & Wire†	8,300	377½	+11½
Cadbury Schweppes†	1,800	413	-1
Caradon†	2,400	252	-3
Carlton Comms.†	1,100	868	-4
Coats Viyella	936	189	+2
Comm. Union†	2,800	511	+1
Cookson	77	234	
Courtaulds†	1,100	448	
Dalgety	164	403	-2
De La Rue†	1,700	1004	+20
Dixons	3,400	202	+3
Eastern Elect.†	80	741	-3¼
East Midland Elect.	77	782	-2½
Electrocomps	228	491	+5
Eng China Clays	1,000	369	+3
Enterprise Oil†	1,100	401	+8
Eurotunnel Units	178	319	
FKI	4,500	155	+3
Fisons	1,100	110	
Foreign & Col. I.T.	1,200	139½	+½
Forte†	1,700	249	
Gen. Accident†	883	625	+5
General Elect.†	9,100	295½	-½
Glaxo†	4,900	689	+7
Glynwed	38	332	-1
Granada†	874	504	+2
Grand Met.†	5,300	386	+2
GUS†	1,300	542	+6
GRE†	2,500	176	+7
GKN†	616	581½	+5½
Guinness†	3,600	434	+4
HSBC (75p shs)†	2,600	663	+11
Hammerson	650	329	-4
Hanson†	8,600	245¾	+5¾
Harrisons Crosfield	1,000	145	+1
Hays	768	299	+3
Hillsdown	357	178	-2
IMI	291	313	-2
ICI†	4,000	785	+17
Inchcape†	2,100	409	+4
Johnson Matthey	255	534	-3
Kingfisher†	1,500	427½	-½
Kwik Save	409	552	+2
Ladbroke†	4,900	174	+3
Land Securities†	770	582½	-2½
Laporte	163	694	-7
Legal & General†	615	442	+4
Lloyds Abbey	719	324	+3
Lloyds Bank†	2,200	565	+6
LASMO	2,500	142	+1
London Elect.	182	721	-3
Lonrho	1,300	160½	+2
Lucas	2,000	188	+1
MEPC†	520	387	+3
MFI	1,100	130	+1
Manweb	85	831	-2¼
Marks & Spencer†	2,400	396½	+6
Midlands Elect.	69	778	+¼
Morrison (Wm.)	712	141	+2
NFC	124	188	
NatWest Bank†	3,800	491	+10
0000National Power†	3,200	490	+2
Next	447	262	+½
North West Water†	452	530	+7
Northern Elect.	158	980	-½
Northern Foods	826	220	+2
Norweb	98	809	+1
Pearson†	1,100	570	+4
P & O†	1,800	584	+1
Pilkington	1,200	160	
PowerGen†	1,700	538	+4
Prudential†	2,800	315	+3
RMC†	171	965	+14
RTZ†	8,500	786½	+½
Racal	154	218	
Rank Org.†	4,100	381	+7
Reckitt & Colman†	851	608	+7
Redland†	797	443½	+1½
Reed Intl.†	3,800	788	+9
Rentokil†	452	232	+3½
Reuters†	3,300	439½	+11½
Rolls Royce†	1,100	167	-1
Ryl Bk Scotland†	1,200	391	+2
Royal Insurance†	2,700	276	+6
Sainsbury†	3,400	423½	+6½
Schroders†	15	1453	+10
Scottish & New.†	938	508	+3
Scot. Hydro-Elect.	333	324	+7
Scottish Power†	1,200	340½	+7½
Sears†	5,500	101	-½
Sedgwick	128	153	+2
Seeboard	94	439	-2
Severn Trent†	454	531	+6
Shell Transport†	4,800	709½	+6½
Siebe†	892	541	-2
Slough Ests	22	221	
Smith (W.H.)	800	454	-4
Smith & Nephew†	3,400	155¼	+2½
SmKl Beecham†	3,400	472½	+8½
SmKl Beecham Uts.†	1,000	437	+8
Smiths Inds.	52	461	+3
Southern Elect.†	599	752	-1¼
South Wales Elect.	157	849	
South West Water	434	494	+1
South West. Elect.	103	824	-3¼
Southern Water	26	555	+5
Standard Chartd.†	4,000	280	+9
Storehouse	827	227	+3
Sun Alliance†	3,400	301	+6
T&N	100	155	+1
TI Group†	561	358	-3
TSB†	1,900	226½	+3½
Tarmac	4,400	114	
Tate & Lyle	1,800	437	+7
Taylor Woodrow	45	123	+1
Tesco†	1,700	243	+3
Thames Water†	434	492½	+9½
Thorn EMI†	498	1032	-3
Tomkins†	5,600	230	
Trafalgar House	1,200	74	+½
Unigate	669	351	+8
Unilever†	786	1184	+6
United Biscuits†	646	322	+1
Utd. Newspapers	83	480	
Vodafone†	3,600	200½	-2
Warburg (SG)†	987	668	+15
Wellcome†	3,100	658	-6
Welsh Water	51	630	+4
Wessex Water	568	263	+2
Whitbread†	518	569	+10
Williams Hldgs.†	886	332	+6
Willis Corroon	923	149	
Wimpey	408	124	
Wolseley†	767	765	+2
Yorkshire Elect.	93	798	-8¼
Yorkshire Water	128	621	+3
Zeneca†	2,100	894	+5

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † indicates an FT-SE 100 index constituent. All trades are rounded.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	-	99	30½	Asset Man Inv	99		-	-	-	-
-	F.P.	-	259	245	BSkyB	254	+3	N-	-	-	47.8
-	F.P.	-	64	43	Ent Assets Gth	62½		-	-	-	-
-	F.P.	-	6½	5½	Cala. Media Wrts	5½		-	-	-	-
-	F.P.	-	173	133	Clydeport	167		RN3.51	-	2.6	-
$10	F.P.	-	625	525	First Russian Fr	590	+5	-	-	-	-
500	F.P.	-	510	490	Gartmore Mic Uts	508		-	-	-	-
-	F.P.	-	102	94	HCI Hire	102		N3.38	2.0	4.1	12.7
-	F.P.	-	92	80¼	Invest Capital Gth	87½		-	-	-	-
-	F.P.	-	39	36	Do Inc Annuity	37½	+1	F5.3	-	17.7	-
100	F.P.	-	103	100	Klin Capital	103		F4.0	-	5.0	-
-	F.P.	-	55	53½	Lazard Sel-k India	53½	-¼	-	-	-	-
-	F.P.	-	3¼	3	Do Warrants	3¼		-	-	-	-
§3	F.P.	-	3¼	3	MICE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	-	94	82	Matheson Lloyds	89		-	-	-	-
-	F.P.	-	130	100	Pantes Ol	105		-	-	-	-
175	F.P.	-	210	203	RM	205		N4.8	3.1	2.9	13.3
182	F.P.	-	188	167	TeleWest	171½	-1	-	-	-	-
100	F.P.	-	102	102	Wellington Ut.	102		-	-	-	-
-	F.P.	-	128	118	Woodchester Units	125		-	-	-	-

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3086.0	3100.0	+32.0	3102.0	3080.0	11475	58745
Jun	3101.0	3111.0	+32.0	3108.0	3101.0	313	4784

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	3500.0	+15.0	-	-	0	3947

■ FT-SE 100 INDEX OPTION (LIFFE) (*3075) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Jan	180	1	140	1	91½	1½	47	8½	13	25½	3	75	1	125	1	175
Feb	208	7½	164	13½	123	23	86	37	58	58	33	87½	18	127	9	175
Mar	218½	20	178½	28½	140	42	106	59½	77	80	66	109	38½	142	23½	181½
Apr	237½	39	201	52	164	64	135½	85	107	106	85½	134	62	183	45½	199
Jun†	260½	56½			193	87			134	128			98½	184½		

Calls 7,475 Puts 4,121

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Jan	155	1	115½	1	68	3	28½	13½	6	41	1	85½	1	135½	1	185½
Feb	182	7	139½	14½	101½	26	69½	42½	42½	66	24½	98	12½	136	8	179
Mar	194½	21½	155½	32	120½	46½	90	65½	64½	89	43½	118	28	151½	17	190
Jun	245	63½			180½	96½			128	139½			83	194		
Sept†	288	84½			224	118½			170½	161			128½	211½		

Calls 2,789 Puts 4,048 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FINANCIAL TIMES EQUITY INDICES

	Jan 16	Jan 13	Jan 12	Jan 11	Jan 10	Yr ago	*High	*Low
Ordinary Share	2365.6	2345.8	2339.4	2351.4	2353.2	2615.5	2713.6	2240.6
Ord. div. yield	4.42	4.48	4.47	4.45	4.44	3.57	4.61	3.43
Earn. yld. % full	6.48	6.54	6.56	6.53	6.52	4.04	6.75	3.82
P/E ratio net	17.85	17.70	17.65	17.72	17.75	31.25	33.49	16.94
P/E ratio nil	17.28	17.14	17.09	17.16	17.19	28.97	30.80	16.67

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2360.9	2362.1	2359.1	2355.6	2357.9	2359.6	2360.0	2358.8	2363.1	2365.6	2354.7

	Jan 16	Jan 13	Jan 12	Jan 11	Jan 10	Yr ago
SEAQ bargains	21,244	19,430	19,770	21,469	19,621	38,498
Equity turnover (£m)†	-	1248.0	1312.9	1409.4	1287.4	1594.0
Equity bargains†	-	26,334	27,587	28,856	27,776	44,379
Shares traded (m)†	-	690.7	699.7	618.6	508.1	707.3

†Excluding intra-market business and overseas turnover.

FT GOLD MINES INDEX

	Jan 13	% chg on day	Jan 12	Jan 11	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1832.79	-1.2	1854.12	1840.37	2284.80	2.39	2398.37	1782.02
■ Regional Indices								
Africa (16)	2841.64	-0.9	2867.08	2832.88	3052.93	4.97	3711.87	2304.45
Australasia (7)	2198.16	+1.3	2167.81	2142.52	2812.43	2.31	3013.89	2129.35
North America (11)	1481.90	-1.9	1509.85	1504.07	1985.49	0.89	2039.65	1388.34

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Jan 16: 220.3 ; day's change: -2.2 Year ago: 290.3 † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 16	Day's chge%	Jan 13	Jan 12	Jan 11	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3078.7	+0.9	3048.3	3033.2	3049.4	3407.8	4.19	7.22	16.36	2.66	1175.67
FT-SE Mid 250	3473.9	+0.2	3465.3	3471.0	3478.6	3948.6	3.64	6.25	19.10	5.93	1311.09
FT-SE Mid 250 ex Inv Trusts	3484.2	+0.2	3476.5	3481.2	3487.8	3957.2	3.78	6.75	17.81	6.15	1313.17
FT-SE-A 350	1538.7	+0.8	1526.9	1521.7	1526.5	1714.6	4.07	7.00	16.92	1.63	1203.46
FT-SE-A 350 Higher Yield	1575.0	+0.7	1564.0	1555.9	1564.8	1736.6	5.05	7.43	16.10	2.37	1012.76
FT-SE-A 350 Lower Yield	1502.3	+0.8	1489.7	1487.3	1492.1	1649.6	3.06	6.66	17.66	0.90	990.87
FT-SE SmallCap	1742.10	+0.1	1740.06	1742.32	1742.00	1954.24	3.32	6.31	19.43	1.09	1362.53
FT-SE SmallCap ex Inv Trusts	1719.80	—	1719.37	1720.45	1720.26	1916.86	3.51	7.07	17.53	1.21	1346.74
FT-SE-A ALL-SHARE	1522.47	+0.7	1511.53	1506.95	1513.15	1697.81	4.01	6.94	17.09	1.56	1210.89

■ FT-SE Actuaries All-Share

	Jan 16	Day's chge%	Jan 13	Jan 12	Jan 11	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2676.64	+0.9	2652.74	2640.48	2641.98	2583.49	3.52	5.06	24.97	0.00	1080.61
12 Extractive Industries(7)	3616.70	+0.1	3613.69	3575.98	3589.40	3781.89	3.36	5.38	22.97	0.00	998.00
15 Oil, Integrated(3)	2672.22	+1.1	2643.80	2633.44	2632.03	2523.15	3.64	5.62	22.15	0.00	1103.52
16 Oil Exploration & Prod(15)	1878.18	+0.9	1860.90	1862.70	1871.47	1899.33	2.60	‡	‡	0.00	1066.68
20 GEN INDUSTRIALS(279)	1852.46	+0.7	1840.02	1836.71	1842.30	2104.56	4.21	5.74	20.81	0.22	952.95
21 Building & Construction(36)	958.92	-0.1	957.93	962.35	963.38	1407.22	4.05	6.38	20.51	0.00	755.57
22 Building Matls & Merchs(32)	1759.72	+0.7	1747.04	1753.58	1758.61	2300.51	4.25	6.16	19.56	0.00	837.49
23 Chemicals(23)	2294.83	+0.8	2276.12	2274.46	2265.23	2333.56	4.12	4.73	26.24	0.50	1025.57
24 Diversified Industrials(16)	1818.65	+1.0	1799.79	1788.33	1806.55	2089.71	5.16	6.31	18.28	0.00	941.66
25 Electronic & Elect Equip(36)	1926.27	+0.1	1923.63	1921.81	1932.03	2127.70	3.94	6.63	17.94	0.75	952.21
26 Engineering(72)	1770.47	+0.3	1764.34	1758.91	1758.48	1845.05	3.41	5.52	21.26	0.47	1020.64
27 Engineering, Vehicles(13)	2134.54	+0.5	2124.41	2132.13	2137.98	2346.12	4.69	1.60	80.00†	0.00	1044.69
28 Paper, Pckg & Printing(26)	2805.78	+1.3	2769.40	2752.48	2743.00	2896.50	3.13	5.74	20.19	0.00	1110.79
29 Textiles & Apparel(21)	1518.49	+0.5	1511.59	1519.77	1526.90	1959.44	4.46	6.46	20.11	0.00	869.40
30 CONSUMER GOODS(95)	2821.74	+0.8	2800.56	2787.23	2796.10	2999.90	4.28	7.19	16.17	7.07	983.12
31 Breweries(18)	2212.81	+1.1	2188.90	2181.85	2192.85	2390.19	4.33	8.06	14.93	10.13	1012.91
32 Spirits, Wines & Ciders(10)	2647.80	+0.9	2624.51	2626.91	2657.65	3048.73	4.31	7.18	16.09	25.80	903.89
33 Food Producers(24)	2332.79	+0.2	2328.95	2313.62	2320.03	2544.29	4.19	7.55	15.72	3.92	994.20
34 Household Goods(10)	2419.59	+0.8	2399.73	2399.46	2402.84	2776.52	3.68	7.45	16.16	0.45	876.71
36 Health Care(18)	1576.05	+0.6	1566.79	1567.47	1571.34	1841.56	3.17	3.42	40.94	0.43	920.64
37 Pharmaceuticals(13)	3332.39	+0.5	3317.22	3287.27	3288.30	3209.07	4.04	6.41	18.05	0.00	1068.99
38 Tobacco(2)	3837.09	+2.3	3750.11	3748.34	3743.16	4370.71	5.60	9.49	11.50	0.00	875.27
40 SERVICES(231)	1883.28	+0.7	1870.03	1867.21	1877.71	2153.13	3.33	7.11	16.82	2.00	934.38
41 Distributors(32)	2495.51	+0.6	2481.01	2498.95	2502.60	3051.68	3.75	12.46	9.72	1.53	872.56
42 Leisure & Hotels(29)	2104.97	+0.5	2095.17	2095.93	2117.88	2273.60	3.41	5.63	20.97	6.99	1047.28
43 Media(43)	2726.98	+1.1	2697.25	2712.07	2714.91	3067.04	2.58	5.66	19.44	1.76	950.12
44 Retailers, Food(16)	1770.89	+1.2	1749.24	1738.23	1741.61	1868.29	3.71	9.00	13.63	1.85	1069.85
45 Retailers, General(45)	1566.16	+0.8	1553.46	1543.34	1561.29	1868.08	3.41	7.42	16.73	1.44	853.19
48 Support Services(38)	1507.00	+0.6	1497.99	1491.77	1491.66	1784.42	2.78	6.37	18.50	0.30	923.14
49 Transport(21)	2239.16	-0.3	2245.47	2246.08	2254.63	2674.22	3.80	8.30	18.73	0.37	884.56
51 Other Services & Business(7)	1252.18	+0.3	1248.46	1250.81	1249.30	1244.37	3.57	3.56	38.87	2.62	1088.76
60 UTILITIES(37)	2424.07	+0.3	2416.26	2404.44	2425.41	2629.17	4.41	7.68	15.87	4.95	954.33
62 Electricity(17)	2507.42	-0.1	2510.82	2521.04	2545.94	2411.99	3.86	10.04	11.88	13.80	1070.39
64 Gas Distribution(2)	2077.25	+1.5	2045.76	2033.09	2033.09	2240.64	5.77	‡	‡	0.00	975.66
66 Telecommunications(5)	2033.62	+0.1	2032.00	2008.99	2032.47	2372.91	4.02	7.36	16.62	0.00	882.59
68 Water(13)	1786.78	+1.0	1769.95	1782.44	1772.20	2045.83	5.60	13.44	8.12	4.62	911.10
69 NON-FINANCIALS(667)	1854.81	+0.7	1843.88	1838.29	1845.50	1808.86	3.97	6.67	17.96	2.02	1183.28
70 FINANCIALS(115)	2108.59	+1.0	2086.78	2078.92	2086.91	2582.12	4.58	9.57	12.15	0.06	841.92
71 Banks, Retail(9)	2763.17	+1.3	2716.54	2705.45	2711.42	3330.41	4.45	10.40	11.01	0.00	829.10
72 Banks, Merchant(6)	2953.03	+0.9	2927.08	2903.82	2919.56	3551.45	3.78	9.45	12.36	0.00	896.89
73 Insurance(27)	1173.72	+1.2	1159.62	1158.26	1167.96	1552.61	5.33	10.03	11.37	0.03	811.59
74 Life Assurance(6)	2370.78	+1.0	2347.88	2344.73	2356.07	2807.26	5.39	7.86	15.52	0.00	917.52
77 Other Financial(23)	1869.04	+0.3	1863.10	1861.92	1864.96	2054.37	3.99	7.61	15.67	0.45	1009.96
79 Property(46)	1376.05	....	1375.60	1368.92	1374.24	1769.82	4.37	7.73	16.19	0.12	798.50
80 INVESTMENT TRUSTS(133)	2633.43	+0.5	2619.19	2630.43	2627.76	3011.16	2.36	2.04	49.08	2.10	890.47
89 FT-SE-A ALL-SHARE(916)	1522.47	+0.7	1511.59	1506.95	1513.15	1697.81	4.01	6.94	17.09	1.56	1210.89
FT-SE-A Fledgling	1002.11	+0.1	1000.84	1001.99	1002.55	-	2.87	-	-	0.97	1003.08
FT-SE-A Fledgling ex Inv Trusts	1005.06	+0.1	1003.85	1004.58	1005.16	-	3.03	-	-	1.05	1008.12

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3068.5	3071.3	3066.1	3061.5	3065.4	3067.9	3068.8	3068.1	3076.2	3076.7	3060.9
FT-SE Mid 250	3471.0	3474.4	3473.0	3471.8	3471.9	3472.5	3473.1	3474.2	3474.0	3474.7	3471.0
FT-SE-A 350	1535.3	1536.7	1534.5	1532.6	1534.2	1535.2	1535.6	1535.4	1538.2	1538.7	1532.4

Time of FT-SE 100 Day's high: 4.30pm Day's low: 11.07am. FT-SE 100 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	890.7	889.4	889.5	889.5	889.2	889.4	889.2	889.1	889.8	889.8	889.7	+0.1
Pharmaceuticls	3310.0	3315.7	3312.9	3298.2	3297.2	3301.1	3302.1	3300.8	3305.5	3306.6	3291.8	+14.8
Water	1771.9	1773.3	1772.9	1772.8	1773.7	1774.0	1774.5	1781.2	1781.7	1783.0	1766.0	+17.0
Banks, Retail	2774.9	2771.0	2769.5	2768.0	2769.8	2778.6	2782.6	2783.3	2788.6	2788.3	2751.2	+37.1

Additional Information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

هكذا في الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 16 / Sch)

BELGIUM/LUXEMBOURG (Jan 16 / Frs.)

CZECH REP (Jan 16 / Koruna)

DENMARK (Jan 16 / Kr)

FINLAND (Jan 16 / Mks)

FRANCE (Jan 16 / Frs.)

GERMANY (Jan 16 / Dm.)

GREECE (Jan 16 / Drachma)

ITALY (Jan 16 / Lira)

NETHERLANDS (Jan 16 / Fls.)

NORWAY (Jan 16 / Kroner)

POLAND (Jan 13 / Zloty)

PORTUGAL (Jan 16 / Escudo)

SPAIN (Jan 16 / Pts.)

SWEDEN (Jan 16 / Kronor)

SWITZERLAND (Jan 16 / Frs.)

TURKEY (Jan 16 / TK Lira)

PACIFIC

JAPAN (Jan 13 / Yen)

HONG KONG (Jan 16 / H.K.$)

INDONESIA (Jan 16 / Rupiah)

MALAYSIA (Jan 16 / MYR)

NEW ZEALAND (Jan 16 / NZ $)

SINGAPORE (A)(Jan 16 / S$)

AUSTRALIA (Jan 16 / Aust$)

SOUTH KOREA (Jan 16 / Won)

TAIWAN (Jan 16 / TW $)

THAILAND (Jan 16 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jan 16 / Can $)
4 pm close

MONTREAL (Jan 16 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Jan 16 / Rand)

INDICES

	Jan 16	Jan 13	Jan 12	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	16044.71	15371.67	25470.40	16/2/94	13836.46	10/1/95
Australia							
All Ordinaries(1/1/80)	1879.1	1858.8	1861.9	2340.60	3/2/94	1842.00	12/12/94
All Mining(1/1/80)	894.4	894.8	882.3	1136.10	3/2/94	875.80	10/1/95
Austria							
Credit Aktien(30/12/84)	385.19	384.34	387.01	480.86	2/2/94	376.94	25/10/94
Traded Index(2/1/91)	1029.75	1026.78†	1033.51	1222.25	1/2/94	1011.38	6/6/94
Belgium							
BEL20 (1/1/91)	1369.56	1364.40	1387.94	1542.65	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	41038.0	38406.0	55110.80	13/9/94	3800.90	3/1/94
Canada							
Metals Mnls♦(1975)	(u)	4239.26	4230.58	4278.82	20/10/94	3288.06	20/4/94
Composite♦ (1975)	(u)	4133.40	4152.70	4889.96	23/3/94	3858.80	24/6/94
PortfolioSS (4/1/83)	(u)	1997.28	2001.87	2182.69	1/2/94	1888.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5527.1	5405.0	5754.40	21/11/94	3901.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	350.76	349.88	351.65	416.79	2/2/94	335.88	20/12/94
Finland							
HEX General(28/12/90)	1889.9	1887.2	1892.8	1972.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1237.80	1228.85	1226.43	1585.20	2/2/94	1226.43	12/1/95
CAC 40(31/12/87)	1872.81	1853.98	1844.06	2355.93	2/2/94	1824.42	25/10/94
Germany							
FAZ Aktien(31/12/58)	778.47	769.67	775.24	859.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2219.2	2194.3	2210.8	2465.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2085.64	2055.82	2071.27	2271.11	16/5/94	1960.59	7/10/94
Greece							
Athens SE(31/12/80)	839.92	844.45	862.29	1194.66	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7504.24	7252.34	7418.05	12201.09	4/1/94	7252.34	13/1/95
India							
BSE Sens.(1979)	3653.17	3603.66	3574.90	4628.57	12/9/94	3454.00	5/1/94
Indonesia							
Jakarta Comp.(10/8/82)	447.30	441.87	452.69	612.89	5/1/94	441.87	13/1/95
Ireland							
ISEQ Overall(4/1/88)	1879.39	1866.97	1862.74	2082.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	666.87	634.65	624.89	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	1054.0	1003.0	988.0	1054.00	16/1/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	(c)	19331.17	19410.01	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	(c)	278.33	280.61	311.71	13/6/94	268.22	4/1/94
Topix (4/1/68)	(c)	1511.79	1523.35	1712.73	13/6/94	1445.97	4/1/94
2nd Section (4/1/68)	(c)	2086.23	2098.99	2542.65	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	910.75	898.50	915.24	1314.46	5/1/94	895.77	12/12/94
Mexico							
IPC (Nov 1978)	(u)	2216.55	2129.97	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtlRtnGen(End 83)	443.0	440.3	438.5	454.90	31/1/94	405.30	21/6/94
CBS All Shr (End 83)	277.9	276.3	275.1	294.80	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1928.18	1922.72	1939.00	2438.64	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1117.92	1111.89	1108.67	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2484.41	2482.04	(c)	3308.37	4/1/94	2482.04	13/1/95
Portugal							
BTA (1977)	2843.7	2868.4	2872.0	3226.60	18/2/94	2812.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	508.93	504.89	511.09	641.61	4/1/94	504.89	13/1/95
South Africa							
JSE Gold (28/9/78)	1778.2♥	1847.5	1894.4	2534.00	7/9/94	1749.00	14/2/94
JSE Indl. (28/9/78)	6824.2♥	6852.1	6853.7	6884.40	30/12/94	5446.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	957.88	976.59	1000.77	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	282.44	279.05	275.95	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvaerldnGen (1/2/37)	1529.7	1513.7	1507.5	1803.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1227.32	1228.34	1231.88	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	914.98	916.91	918.14	1083.29	31/1/94	878.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6538.65	6582.40	6808.50	7191.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1252.64	1248.59	1273.00	1753.73	4/1/94	1199.59	4/4/94
Turkey							
Istanbul Cmp.(Jan 1986)	25533.9	26548.1	26673.46	29145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	619.1*	614.7	613.2	648.90	2/11/94	581.80	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1332.54	1314.78	1308.65	1540.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1161.55	1168.34	1161.91	1311.01	2/2/94	1135.48	5/10/94
JCapelOrgns (31/12/88)	(u)	271.76	277.52	385.19	5/1/94	271.76	16/1/95
Barings Emerg.(7/1/92)	(u)	143.55	139.00	181.79	26/9/94	137.81	11/1/95

US INDICES

Dow Jones	Jan 13	Jan 12	Jan 11	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3908.46	3859.00	3862.03	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.58	94.14	93.96	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (15/10/93)	54.99 (1/10/81)
Transport	1528.62	1519.07	1507.66	1862.29 (2/2/94)	1371.99 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	183.96	183.56	183.23	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3924.27 (3886.59) Low 3852.61 (3831.41) (Theoretical♦)
Day's high 3910.14 (3864.05) Low 3857.32 (3851.26) (Actual♦)

Standard and Poors	Jan 13	Jan 12	Jan 11	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	465.97	461.84	461.66	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	553.68	549.25	549.22	583.10 (28/10/94)	510.05 (21/4/94)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	43.03	42.02	42.21	46.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp	253.95	251.72	251.72	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	436.13	434.89	434.66	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	762.16	758.51	755.74	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 13	Jan 6	Dec 30	Year ago
Dow Jones Ind. Div. Yield	2.73	2.76	2.79	2.62
	Jan 11	Jan 4	Dec 28	Year ago
S & P Ind. Div. yield	2.44	2.45	2.44	2.40
S & P Ind. P/E ratio	18.76	18.71	18.76	27.43

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	10,859,800	35⅝	+¼
Citicorp	4,754,500	40½	+1⅛
Quaker Oats	3,945,900	36¼	+4⅝
RJR Nabisco	3,878,900	5⅜	+⅛
Compaq	3,318,400	43¾	+⅞
Fannie Mae	3,145,600	71¾	+⅝
Westinghse El	3,008,200	13⅜	+½
Wal-Mart	2,917,700	22	+⅛
GTE Corp	2,818,700	3-⅜	+¼
Storage Tech	2,792,800	31⅞	+2

■ TRADING ACTIVITY

● Volume (million)	Jan 13	Jan 12	Jan 11
New York SE	336.511	312.508	346.279
Amex	13.009	15.667	23.768
NASDAQ	287.540	276.112	300.734
NYSE			
Issues Traded	2,953	2,929	2,930
Rises	1,869	1,132	1,054
Falls	650	1,050	1,160
Unchanged	634	747	716
New Highs	56	31	24
New Lows	42	64	100

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40							
Jan	1878.0	1880.0	+18.0	1884.0	1872.0	12,831	22,880
Feb	1886.5	1899.5	+18.0	1892.5	1885.0	273	2,694
■ DAX							
Mar	2088.5	2106.0	+22.0	2112.5	2088.0	16,089	N/A
Jun	2115.0	2126.0	+23.0	2131.0	2115.0	93	N/A
■ OMX							
Jan	1178.0	1179.5	+11.5	1182.5	1176.5	5,448	19,798
Feb	1185.0	1187.0	+14.0	1188.0	1182.0	1,034	1,420
■ SOFFEX							
Jan	2614.0	2600.0	+2.5	2618.0	2598.1	3,882	14,767
Feb	2622.0	2611.4	+9.4	2626.9	2610.0	1,411	4,118

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Mar	469.35	471.65	+2.60	471.60	468.75	68,352	202,895
Jun	473.25	475.40	+2.50	475.50	473.00	567	9,566
■ Nikkei 225 Jan 13							
Mar	19480.0	19420.0	-	19490.0	19360.0	34,098	111,353
Jun	19570.0	19450.0	-	19570.0	19430.0	1,111	2,960

Open interest figures for previous day.

** Sat Jan 14. Taiwan Weighted Price 6611.30; Korea Comp Ex 969.56. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 16 - 2088.25 +24.11.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3185. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822. If calling from outside the UK, dial +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent on the next working day, subject to availability.

■ TOKYO - MOST ACTIVE STOCKS: Friday, January 13, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Joyo Bank	13.1m	815	+4	Gunma Bank	5.0m	1080	+10
Chiba Bank	8.2m	887	+2	Oki Electric	4.2m	640	-21
Sumitomo Mtl Min	6.0m	921	-5	Nippon Steel	3.8m	369	
Mitsubishi Oil	5.2m	943	+26	Sumitomo Chemical	3.8m	550	+8
Mitsubishi Hvy	5.0m	721	-7	Sakai Ovex	3.7m	726	-10

4 pm close January 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
17 3/8	11 7/8	AAR	0.48	3.6	24	141	13 3/4	13 1/2	13 1/2	
19 7/8	12 5/8	A L Labs A	0.18	0.9	45	306	u19 7/8	19 1/2	19 7/8	
79 3/8	57 5/8	AMP	1.68	2.2	23	1202	74 7/8	74 1/4	74 3/4	
72 3/4	48 1/8	AMR			124	10804	58 7/8	57 3/4	58 3/8	+3/4
58 1/8	38 5/8	ASA	2.00	4.4	29	506	45 1/2	45 1/4	45 1/4	-3/8
33 7/8	25 3/8	AbbtL	0.76	2.4	17	9760	32 1/8	31 1/2	32	+3/8
16 1/4	11 3/8	Abitibi Pr	0.50	3.6	12	33	13 7/8	13 5/8	13 7/8	+3/8
23 7/8	17 3/4	ABM Ind	0.60	2.6	13	58	22 7/8	22 3/4	22 3/4	-1/8
18	11 1/8	Acptmcdn			12	283	16 1/8	16	16	
31	20 3/4	ACE Ltd	0.44	2.0	23	497	22 1/2	22 3/8	22 1/2	
12 1/2	9	ACM Gvt In x	1.09	11.4	8	117	9 5/8	9 1/2	9 5/8	
10 1/8	6 7/8	ACM GvOpp	0.80	10.6		293	7 1/2	7 3/8	7 1/2	+1/8
10 5/8	6 3/4	ACM Gvt Sp x	0.96	13.2		250	7 3/4	7 1/8	7 1/4	+1/8
12	7 5/8	ACM Gvt Se x	1.09	13.3		416	8 3/8	8 1/8	8 1/4	
11 3/4	7 3/8	ACM Man x	1.08	13.1		41	8 3/8	8 1/4	8 1/4	+1/8
9 3/4	7 1/4	ACM Mmapl x	0.72	9.8		87	7 1/2	7 3/8	7 3/8	
15 1/2	8 3/4	AcmeClv	0.44	3.8	23	22	11 5/8	11 1/2	11 5/8	
17 1/8	6 1/2	Acme Elect			18	623	u17 5/8	16 1/2	17 3/8	+1/2
33 1/2	23	Acordia	0.60	1.8	16	63	33	33	33	
13 3/4	5 3/4	Actava	0.36	4.1	2	38	9	8 7/8	8 7/8	
18 3/8	11 1/4	Acuson			25	239	15 3/4	15 5/8	15 3/4	
18 5/8	15 1/2	Adams Expr	0.38	2.3	0	152	16	15 3/4	16 7/8	+1/8
64 1/2	48 1/2	Ad Micro	3.00	4.7		131	u64 1/2	63	63 3/4	+1/4
32	16 3/4	AdvMic	3.00	9.4	9	9221	u32	31 3/8	31 3/4	+1/4
6 7/8	5	Advest Grp	0.16	3.0	15	327	5 3/8	5 1/8	5 1/4	+1/8
20	15	Advo Inc	0.10	0.6	16	20	17 1/4	17 5/8	17 5/8	
66 1/8	48 3/8	Aegon ADR	1.47	2.2	12	121	66	65 1/8	65 5/8	+1/4
5	3 5/8	Aerflx			6	180	3 3/4	3 5/8	3 3/4	+1/8
65 3/4	42 3/4	AetnaL	2.76	5.5	8	4667	50 3/8	49 3/4	50 1/4	+1/2
35 1/8	25 1/4	Aflac	0.46	1.4	12	807	33 7/8	32 3/4	33 5/8	+3/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close January 16

NYSE COMPOSITE PRICES

Continued from previous page

1994/95 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 7/8	10 7/8	SFeGd			25	8063	12	11 5/8	11 7/8	
34 7/8	30 1/8	SFePPipe	2.80	8.4	8	59	33 3/4	33 3/4	33 1/2	-1/2
26 1/4	12 1/8	SanFeP	0.10	0.6	14	1246	17 7/8	17 5/8	17 3/4	-1/8
26 1/8	19 3/8	SaraLee	0.68	2.7	56	3056	25 1/2	25 1/4	25 3/8	+1/8
60 1/8	41	Scana Corp	2.82	6.5	12	842	43 3/4	42 5/8	43 3/4	+1/2
20 1/2	12 1/2	Scecrp	1.00	6.7	9	4936	15 1/8	15	15	
45 1/2	31 3/4	SchererRP			28	467	44 1/8	43	44	+3/4
75 7/8	54 1/2	SchPl	2.04	2.8	15	5913	73 7/8	72 1/2	73 1/4	+5/8
63	50	Schlmb	1.20	2.4	24	2335	51 1/8	50 5/8	50 7/8	+1/4
39 5/8	23 3/4	Schwab(C)	0.28	0.7	17	11188	u39 5/8	37 7/8	39 1/4	+1 7/8
10 3/4	6 1/8	Schwitzer			7	29	8 1/4	8 1/8	8 1/8	+1/8
22 3/4	12 1/2	SciAtl	0.08	0.3	37	1044	20 1/8	19 3/4	19 7/8	+1/4
18 1/4	13	Scotsman	0.10	0.6	13	24	17 5/8	17 3/8	17 3/8	+1/4
71 7/8	37 1/4	ScottP	0.80	1.1	22	2809	u73 1/2	71	73 1/2	+2
31	23	Scripps	0.44	1.5	13	188	28 7/8	28 1/2	28 7/8	+1/4
28 5/8	18 3/8	ScudderNAsF	0.02	0.1		172	20 3/4	20	20 5/8	+3/8
12 5/8	8 3/4	ScudderNEuF	0.16	1.8		481	9 1/8	8 7/8	9	
18 1/4	12	SeaCoB	0.70	5.1	8	121	14 3/8	13 3/4	13 3/4	
18 1/2	14 1/4	SeaC1.4625	1.46	9.7		z100	15 1/8	15 1/8	15 1/8	
28	22 7/8	S'gate			8	6205	27 1/8	26 1/4	26 7/8	+5/8
32 5/8	26 1/4	Seagrm	0.60	2.0	14	1301	30 1/8	29 3/4	30 1/8	+1/2
29 1/4	17 1/8	Seagull En			29	749	17 5/8	17 3/8	17 3/8	-1/4
40 1/4	25 5/8	Sealed Air			23	1052	u40 1/4	38 1/4	39 3/4	+1 1/2
55 1/8	42 1/8	SearsR	1.60	3.4	14	7825	47 7/8	47	47 1/2	-1/4
13 3/4	9 3/4	Seligm Sel	0.84	7.2		25	11 5/8	11 1/2	11 5/8	+1/8
38 1/4	26	Sensormat	0.22	0.7	27	2352	33 5/8	32 3/4	33 1/8	+5/8
39 3/4	17 5/8	SequaA	0.60	2.6	8	75	23 1/8	22 3/8	23	+1/2
40 1/4	21	SequaB	0.50	2.1	12	20	24	23 7/8	24	+1/4
28 1/4	22 1/2	ServCp	0.42	1.5	19	1803	u28 1/4	28	28 1/8	-1/8

NASDAQ NATIONAL MARKET

4 pm close January 16

AMEX COMPOSITE PRICES

4 pm close January 16

Price data supplied by Telekurs

AMERICA

Dow moves higher amid light trading

Wall Street

US shares added to Friday's gains yesterday morning, but in very light volume, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was up 20.18 at 3,928.64. The Standard & Poor's 500 gained 3.49 at 469.46, the American Stock Exchange composite climbed 0.89 to 437.02 and the Nasdaq composite rose 5.43 to 767.59. Trading volume on the NYSE was 179m shares.

Activity in the equities market was low due to the observance of a holiday in honour of Dr Martin Luther King. Most government offices were closed, so no economic data was released and the bond market was shut for the holiday.

In spite of the low volume, the Dow pushed well past the 3,900 level, where it closed on Friday after posting a near-50 point gain.

Its previous close above 3,900 was on October 31.

Primary among the reasons cited for the advance was waning fear of an aggressive and immediate interest rate increase from the Federal Reserve.

Until Friday, widespread sentiment held that the Fed would raise rates by as much as 75 basis points at or before the January 31 meeting of its open market committee.

Last week's release of weaker-than-expected employment and retail sales data led some to speculate that there would be no tightening. Most economists, however, held to their forecasts of another rate increase, but said it was more likely to be 50 than 75 basis points.

There was also a growing consensus that if the data remained weak the current round of tightening – begun last February – would end this February or March, rather than continuing through the year.

Banks, which have suffered during the tightening cycle because of decreased loan demand, bounced off recent lows. Bankers Trust rose $1⅞ at $60⅛, Chemical Banking was up $1⅛ at $39⅞, First Chicago climbed $1 at $48¼ and Citicorp increased $1 at $41½.

First Interstate Bancorp, up $2⅝ at $73⅝, also benefited from a positive earnings report released yesterday. The report showed that, after an accounting change, 1994 income rose more than 30 per cent from 1993.

Quaker Oats, which jumped $4¼ to $36¼ on Friday after rumours that the food company might be bought by Coca-Cola, lost ground after the acquisition rumours proved inaccurate. Yesterday morning, the shares retreated $2⅞ to $33¼.

Canada

Toronto was mixed in sluggish midday trading as weak gold and transportation issues offset gains in most other sectors.

The TSE-300 index rose 8.65 to 4,142.06 by noon in light volume of 19.6m shares.

Of Toronto's 14 sub-indices, nine sectors posted gains, led by financial services, energy and consumer products.

Bank of Montreal picked up C$⅛ to C$25⅝ after raising its quarterly dividend. Bank of Nova Scotia was C$⅛ higher at C$25½. American Barrick, the most active gold stock, receded C$¼ to C$30¼.

Mexico seen steadier

MEXICAN stocks initially resumed a lower trend after Friday's gains as the market was unsettled by a fall in the peso against the dollar and a rise in the same-day Cetes rates in early trade.

But the IPC index, which had fallen to 2,173, reversed the loss to stand 18.63 up at 2,235.18 by midsession.

SAO PAULO was off 3.2 per cent in light midday trade as investors booked profits. The Bovespa index had declined 1,374 to 39,714 by 1 pm.

The market was also worried over reports that the country's December trade deficit could be revised up to $1bn from a previously announced $47m.

Petrobras preferred was down 5 per cent at R$94 and Telebras 4.4 per cent weaker.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-2.03	-0.71	-15.61	-14.13	-8.72	-3.16
Belgium	-1.51	-1.77	-10.31	-10.32	-3.19	+2.71
Denmark	-1.34	+3.98	-14.18	-9.15	-3.72	+2.14
Finland	+1.06	+6.27	+14.29	+27.26	+46.48	+55.40
France	-1.44	-2.90	-17.38	-17.13	-12.95	-7.64
Germany	-0.11	-0.82	-7.26	-11.14	-5.09	+0.68
Ireland	-1.83	+5.15	-3.98	+2.46	+6.28	+12.76
Italy	+0.00	+6.28	+8.03	+4.81	+4.44	+10.79
Netherlands	-0.43	+0.73	-3.57	-3.37	+3.00	+9.27
Norway	-0.81	+0.51	-1.35	+3.19	+9.01	+15.64
Spain	-1.61	-7.10	-16.81	-15.16	-14.41	-9.19
Sweden	+0.07	+2.84	+3.80	+8.06	+13.12	+20.01
Switzerland	-1.11	-0.35	-10.59	-10.43	-2.60	+3.33
UK	-0.54	+1.15	-9.79	-10.67	-10.68	-5.23
EUROPE	-0.67	+0.20	-9.02	-9.58	-6.43	-0.73
Australia	-0.36	-2.25	-12.14	-12.34	-7.75	-2.13
Hong Kong	-6.09	-12.04	-30.84	-41.11	-44.68	-41.32
Japan	-1.67	-0.21	+0.62	+4.50	+11.57	+18.37
Malaysia	-7.44	-7.34	-13.30	-30.79	-31.33	-27.15
New Zealand	+1.50	-0.72	-10.42	-8.41	-1.44	+4.56
Singapore	-8.23	-7.10	-5.33	-16.20	-12.69	-7.37
Canada	-0.25	+0.81	-4.24	-0.67	-12.21	-6.86
USA	+1.09	+1.58	-0.79	+0.41	-5.35	+0.41
Mexico	-1.66	-0.06	-10.38	-11.36	-50.76	-47.76
South Africa	-1.88	+0.06	+15.92	+15.09	+10.81	+17.56
WORLD INDEX	-0.56	+0.06	-3.85	-3.25	-3.22	+2.68

† Based on January 13, 1995.

EUROPE

Milan up 5% in largest day's rise for nine years

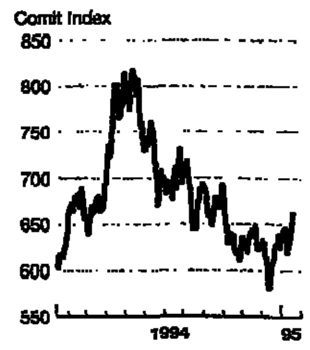
A quieter day in the currency markets allowed an opportunity for bourses to build gains, helped by strength on Wall Street.

MILAN was in euphoric mood as the market celebrated an end to long-running political deadlock and as Mr Lamberto Dini, the prime minister-designate, began putting together his cabinet team of non-political experts to head a so-called institutional government.

The Comit index rose 32.22 or 5.1 per cent to 666.87, its largest single-day gain for almost nine years. Turnover was estimated to have soared to L1,900bn, around three times recent levels. The advance was further fuelled by short-covering at the end of the January trading account, and the reappearance of some foreign demand.

Mr Michele Pacitti at James Capel commented that the market had been hoping for Mr Silvio Berlusconi's administration to be replaced with an institutional government, rather than fresh elections, which would have prolonged political uncertainty and delayed action on the country's public finances.

Italy



Source: FT Graphite

He added that the Comit index might now run up to the 700 level during an expected honeymoon period for Mr Dini, while trading statements from the large industrial groups in coming weeks were likely to confirm their strong performances in 1994.

Blue chips were at the forefront of the day's gains, with Fiat up L448 or 7.2 per cent to L6,686 and Montedison L110 or 8.9 per cent higher at L1,342.

Credito Romagnolo was one of the day's few losers, down L258 to L19,464 on profit-taking, as investors waited to see whether Cariplo's current L21,500 bid for 70 per cent of the shares would be bettered by a Credito Italiano led group.

PARIS gained 1 per cent, the CAC-40 index rising 18.83 to 1,872.81 in FFr2.4bn turnover.

Rémy Cointreau, down FFr4.90 at FFr180.10, but off the session's low of FFr175, was sold sharply following publication of interim results, which showed a slight rise in profits. However, as Cécile d'Estais, food and drinks analyst at Paribas in London, commented, if exceptionals were stripped out then the operating profits before tax were actually 23 per cent down.

She observed that the group would continue to be affected by currency effects, namely weakness of the dollar against the franc, since 35 per cent of its turnover was dollar earned, while it was also highly exposed to interest rate movements, having very high net debt. LVMH advanced FFr14 to FFr849.

AMSTERDAM followed the line of positive trading apparent throughout the continent with the AEX index putting on 2.77 to 415.38.

FT-SE Actuaries Share Indices

Jan 16							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1329.58	1330.53	1331.19	1333.84	1334.52	1334.31	1333.10	1332.54
FT-SE Eurotrack 200	1388.13	1388.12	1388.05	1390.24	1391.30	1391.17	1388.77	1388.97

	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9
FT-SE Eurotrack 100	1314.76	1308.65	1314.96	1312.88	1323.84
FT-SE Eurotrack 200	1376.31	1368.44	1377.57	1373.53	1380.11

Base 1000 (26/10/90); High/day: 100 - 1335.51; 200 - 1392.42 Low/day: 100 - 1329.58 200 - 1387.78 † Partial

There were two exceptions, Philips and KLM, but this was mainly due to some profit-taking following good recent gains. Philips slipped 10 cent s to Fl 54.50, and after the close said that 1994 sales had shown a slight improvement, and the airline lost 30 cents to Fl 46.80.

DSM featured with one of the best gains on the day, up Fl 3.20 at Fl 138.80, as more buyers were attracted by the chemical group's positive outlook.

As Goldman Sachs noted in a recent review of the European sector, DSM was well placed "to generate a good return on the high level of investment made between 1988 and 1992."

FRANKFURT achieved a solid rise, with the Dax index up 30.02 or 1.4 per cent at 2,085.64, increasing this to 2,088.18 in later trade.

Nikko Europe, among others, remained sceptical of the market's soundness, particularly as it lacked any sense of direction. "Cyclicals are still being favoured, and will continue to be emphasised in a market in which no new factors have entered, fundamental or technical," it said. "Financials are likely to underperform given the currently favoured scenario of rising interest rates later this year, and the likelihood of no cuts until then".

ZURICH edged lower, undermined by the dollar's weakness, and the SMI index finished 8.6 easier at 2,591.6.

UBS bearers gave up SFr7 to SFr1,037 as the share was swapped for CS Holding, which added SFr2 to SFr545. Swiss Re gave up SFr5 to SFr750 in further response to the news last week that UBS had downgraded the stock.

Swissair finished down SFr10 at SFr690, but up from a low of SFr665, still under pressure from a number of downward earnings revisions, and speculation it might report a 1994 loss.

STOCKHOLM was broadly higher on firmer bond and currency markets and the Affärsvärlden index finished 16.00 higher at 1,529.70.

Volvo B gained SFr2 to SKr142.50 on speculation that the board may tomorrow reveal plans for the sale of its Branded Consumer Products unit or the introduction of new models.

MADRID staged a technical rally after last week's uncertainties and the general index rose 3.39 or 1.2 per cent to 282.44.

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC

Hong Kong rebounds 3.5% but brokers remain wary

The prospects for Asian markets are likely to improve after a difficult first to second quarter of 1995, according to Kleinwort Benson Research (Asia).

Threats of higher US interest rates and mutual fund outflows were likely to disrupt Asian markets, at least in the first quarter of the year, said Mr Hugh Peyman, managing director of Kleinwort Benson Research in Singapore.

"Although we believe the next three to six months can be difficult for all markets, Asia included, looking to the second half and beyond to 1996 there is still substantial earnings growth in the (Asian) markets."

Mr Peyman forecast average earnings growth of around 20 per cent for Singapore, Malaysia, Japan, Taiwan and Thailand in 1995. He saw growth of around 30 per cent for Indonesia and the Philippines, about 25 per cent growth in earnings per share for South Korea and India, and about 13 per cent for Hong Kong.

In London, Mr Nicholas Knight at Nomura Research has increased his recommended weighting in Japan and Hong Kong while cutting the US, Canada, Germany and Thailand.

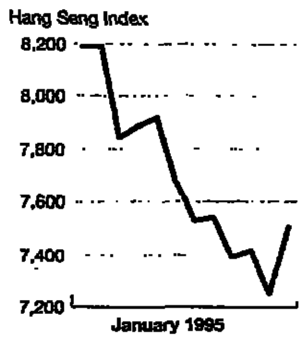
Citing a defensive stance, Mr Knight said: "Sooner or later, the risk is of being in the US rather than Hong Kong because the further rise in interest rates has been more efficiently discounted in the former than the latter. The sudden weakness in the US dollar suggests that this point may be fast approaching."

● Tokyo was closed for a public holiday yesterday.

Hong Kong

Hong Kong rebounded 3.5 per cent, recouping some of the 5 per cent cumulative loss recorded last week amid fears of a Mexican-style crisis in Asia, and worries about the health of Chinese leader Deng Xiaoping.

Hong Kong



Source: FT Graphite

Friday's rally on Wall Street and in US bonds gave heart to the local market, edgy about further rises in US rates, although brokers were wary about suggesting that the day's gain necessarily represented a turning point for the market.

The Hang Seng index closed 251.90 up at 7,504.24 in turnover that rose to a preliminary HK$2.8bn from HK$3.7bn. In subsequent London trading, the indicative index picked up a further 67 to 7,571.

Contrasting views on the outlook came from analysts yesterday. Schroder Securities said in its 1995 stock strategy report that after a major bear market low in the first quarter, the Hang Seng index could stage a solid rally, reaching 9,000 by the year-end.

It recommended an overweight position in the industrial/commercial sector, neutral weightings in finance and utilities and underweight in the property group.

But Kleinwort Benson Research (Asia) forecast that the Hang Seng index could fall as low as 6,000 this year should interest rates rise, and said it would remain underweight for the first half of the year.

Industrial and commercial stocks led the market higher yesterday. Property issues also firmed in spite of more reports of lacklustre residential sales.

Roundup

SEOUL fell broadly for the third straight day on continuing fears of a liquidity squeeze and a lack of confidence about market direction.

The composite index lost 11.68 or 1.2 per cent at 957.88, reflecting sharp falls in heavily weighted index shares.

Samsung Electronics and Posco slid Won2,000 and Won1,100 to Won94,400 and Won54,500 respectively.

SINGAPORE was encouraged by Wall Street's rise on Friday but brokers were uncertain if gains were sustainable.

The Straits Times Industrial index put on 26.66 or 1.3 per cent at 2,107.39 and the UOB OTC index, tracking Malaysian stocks, rose 4.16 to 1,037.26.

KUALA LUMPUR saw bargain hunting which lifted the composite index 12.25 to 910.75, but volume shrank to 86.8m shares from Friday's 113m.

TAIPEI improved on a mild technical recovery after recent falls. The weighted index gained 25.35 at 6,536.65 in low turnover of T$41bn.

The cement and construction sectors led gains: Bao-Chen Construction advanced by the daily 7 per cent limit, adding T$1.9 at T$30.3, while Chia Hsin Cement jumped 5.5 per cent to T$34.3. But electronics encountered heavy selling by investment trusts and foreign institutions.

MANILA recovered its composure after heavy selling on Friday due to turbulence in the Asian currency markets. The composite index inched up 2.37 to 2,484.41, having slipped by almost 18 points at midsession.

The central bank increased its overnight borrowing rate to 9.0 per cent from 8.75 per cent yesterday to support the peso.

SYDNEY closed sharply higher, helped by Friday's rebound on Wall Street. The All Ordinaries index put on 20.3 at 1,879.1, just off an intra-day peak of 1,880.2.

BANGKOK was slightly higher on bargain hunting in telecommunications and banking issues. There was good interest in the debut of Electricity Generating, which ended at Bt60, compared with its IPO price of Bt22, in turnover of Bt4bn. The SET index improved 4.05 to 1,252.64 after moving between 1,241.84 and 1,267.86 in Bt10.8bn turnover.

JAKARTA recouped some of last week's drop, helped by a rebound in the rupiah against the dollar. The official index firmed 5.42 or 1.2 per cent to 447.30 as the government quashed speculation over a possible currency devaluation.

KARACHI, which closed early because of a religious festival, fell on the first day of the new account. The KSE index ended 12.64 off at 2,009.27. The market is shut today.

BOMBAY edged ahead amid some demand from individuals and local mutual funds in a low volume market. The BSE 30 index rose 49.51 or 1.37 per cent to 3,653.17 in what was regarded as a technical correction after the sharp declines of the past two weeks.

SHANGHAI's A index of shares for domestic investors shed 1.6 per cent in reaction to the latest reports of the declining health of Chinese leader Deng Xiaoping. The index lost 9.92 or 1.6 per cent at 607.51, but having picked up from a day's low of 603.28 after some institutional buying of stock to support the index.

S African gold shares down

Gold shares posted sharp losses to leave the golds index almost 4 per cent weaker following renewed bullion declines. Mining stocks joined in the decline in the afternoon session amid concern about market prospects. The overall index shed 73.4 to 5,596.2, industrials 27.9 to 6,824.2 and the golds index 69.3 to 1,778.2.

De Beers came under pressure after a quiet morning session, falling R2.25 to R94.75 in volume of R30m. Anglos finished R7 down at R212.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 13 1995								THURSDAY JANUARY 12 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	163.31	-1.5	154.26	101.71	130.13	143.33	-0.3	4.02	165.83	156.71	103.82	131.87	143.76	189.15	161.21	169.68
Austria (18)	179.14	-1.0	169.20	111.56	142.74	143.00	-0.6	1.14	180.97	171.02	113.30	143.90	143.85	198.89	167.46	186.42
Belgium (35)	167.05	-0.4	157.79	104.04	133.11	130.04	-0.3	4.24	167.75	158.53	105.03	133.39	130.44	177.04	160.76	161.04
Brazil (28)	153.06	6.9	144.57	95.32	121.96	238.35	7.0	0.95	143.22	135.34	89.67	113.88	222.77	–	–	–
Canada (103)	126.47	-0.2	119.46	78.76	100.77	129.32	-0.5	2.67	126.73	119.76	79.35	100.78	129.97	145.31	120.54	141.07
Denmark (33)	252.50	-0.5	238.50	157.26	201.20	207.58	-0.4	1.43	253.77	239.81	158.88	201.79	208.32	275.79	236.81	262.14
Finland (24)	191.45	-0.4	180.83	119.23	152.55	190.55	-0.1	0.73	192.27	181.69	120.38	152.89	190.80	201.41	133.88	138.70
France (102)	162.51	0.2	153.50	101.21	129.49	135.06	0.4	3.18	162.10	153.18	101.49	128.89	134.55	185.37	159.34	175.36
Germany (58)	141.20	-0.9	133.38	87.94	112.51	112.51	-0.7	1.85	142.45	134.61	89.18	113.27	113.27	150.40	128.37	133.19
Hong Kong (56)	287.15	-2.2	271.23	178.84	228.82	285.99	-2.3	4.37	293.70	277.55	183.88	233.55	292.61	493.01	287.15	416.78
Ireland (16)	208.84	0.0	197.26	130.06	166.41	188.74	0.0	3.38	208.80	197.32	130.73	166.04	188.68	216.60	177.56	200.30
Italy (59)	75.99	3.1	71.78	47.33	60.55	91.91	3.1	1.72	73.68	69.63	46.13	58.59	89.17	97.78	68.84	66.95
Japan (484)	154.03	-0.3	145.49	95.93	122.74	95.93	-0.8	0.79	154.44	145.35	96.69	122.81	96.69	170.10	134.47	134.47
Malaysia (97)	430.84	-1.5	407.05	268.29	343.39	424.80	-1.6	1.98	437.63	413.57	273.99	348.00	431.51	594.76	430.71	465.66
Mexico (18)	1247.33	12.4	1178.16	776.82	993.80	7187.02	4.0	1.42	1109.28	1048.27	694.49	882.05	6913.14	2647.08	1028.59	2380.63
Netherland (19)	217.56	0.4	205.50	135.50	173.36	170.05	0.5	3.29	216.88	204.75	135.65	172.29	169.08	223.30	191.28	197.67
New Zealand (14)	71.01	-1.6	67.07	44.22	56.58	59.04	-1.0	4.96	72.08	68.11	45.13	57.32	59.65	77.29	62.05	69.12
Norway (28)	207.74	0.2	196.22	129.38	165.53	169.23	0.3	1.83	207.31	195.91	129.79	164.84	168.64	214.65	177.53	187.26
Singapore (44)	340.44	-1.6	321.57	212.02	271.28	226.35	-1.6	1.88	345.74	324.83	215.21	273.33	232.03	401.36	294.56	325.26
South Africa (60)	314.05	0.6	296.63	195.58	250.24	288.29	-0.5	2.29	312.65	295.45	195.74	248.61	289.74	342.00	205.55	263.24
Spain (36)	126.54	1.3	119.52	78.81	100.83	128.01	1.2	4.53	124.92	118.05	78.21	99.33	126.45	155.79	124.87	140.76
Sweden (46)	235.66	0.2	222.59	146.77	187.78	261.83	0.5	1.49	235.19	222.26	147.25	187.02	260.56	242.81	196.70	208.07
Switzerland (47)	165.46	-0.6	156.31	103.06	131.85	132.08	-0.2	1.85	166.46	157.30	104.22	132.36	132.36	176.56	149.81	161.17
Thailand (46)	138.02	-1.3	130.37	85.98	109.98	134.72	-3.1	2.83	139.80	132.11	87.53	111.17	139.04	–	–	–
United Kingdom (205)	194.32	0.5	183.54	121.02	154.84	183.54	0.4	4.20	193.41	182.77	121.09	153.80	182.77	214.96	181.11	205.30
USA (513)	190.69	1.0	180.12	118.76	151.95	190.69	1.0	2.91	188.86	178.49	118.25	150.19	188.86	196.04	178.95	192.20
Americas (652)	176.12	1.1	166.35	109.69	140.34	147.60	1.0	2.88	174.18	164.60	109.05	138.50	146.13	–	–	–
Europe (723)	168.34	0.2	159.00	104.84	134.14	148.24	0.3	3.12	167.91	158.68	105.13	133.82	148.73	178.58	160.59	168.91
Nordic (128)	227.89	0.0	215.26	141.93	181.59	214.57	0.2	1.36	227.98	215.44	142.73	181.28	214.14	233.91	197.70	202.21
Pacific Basin (806)	159.55	-0.5	150.71	99.37	127.14	103.81	-0.8	1.17	160.30	151.48	100.36	127.47	104.73	176.80	145.89	145.69
Euro-Pacific (1532)	163.12	-0.2	154.07	101.59	129.98	121.64	-0.4	2.01	163.37	154.39	102.28	129.91	122.08	175.14	155.37	155.32
North America (618)	186.71	0.9	176.36	116.28	148.78	186.49	0.9	2.90	185.03	174.85	115.84	147.13	184.83	192.73	175.67	189.02
Europe Ex. UK (518)	150.71	0.1	142.35	93.86	120.09	128.98	0.3	2.60	150.51	142.23	94.23	119.68	128.60	168.12	144.12	148.26
Pacific Ex. Japan (322)	217.36	-1.7	205.31	135.37	173.20	191.73	-1.5	3.48	221.06	208.90	138.40	175.78	194.67	261.75	217.36	235.37
World Ex. US (1740)	163.88	0.0	154.79	102.06	130.58	125.08	-0.3	2.02	163.90	154.88	102.61	130.32	125.44	175.65	157.81	157.61
World Ex. UK (2048)	169.49	0.3	160.09	105.56	135.05	141.18	0.1	2.14	168.96	159.65	105.76	134.26	140.96	178.56	154.27	161.61
World Ex. Japan (1769)	182.89	0.6	172.74	113.90	145.71	174.08	0.6	2.89	181.93	171.92	113.90	144.56	173.12	185.20	176.34	167.45
The World Index (2253)	171.68	0.3	162.16	106.92	136.80	144.98	0.1	2.33	171.11	161.70	107.13	136.08	144.76	180.80	166.19	168.15

Latest Prices unavailable for this edition.